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BSc Economics, MSc in Educational Research

Strategic Change in Further Education

**This thesis is submitted for the degree of Doctor of Philosophy in the School of
Management at the Open University**

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Strategic Change in Further Education

The research focus was to examine how organisations seek to respond to changes in their external environment through the development of strategies which matched organisational capability with external restraints. In April 1993 colleges of further education in England became incorporated bodies, responsible for their own management and their own strategic development under a new national funding framework. This provided an opportunity to research strategic change in these organisations, to investigate the effects on them of the changes in their environment, and to examine the strategies they had developed to enable them to cope with these changes. These strategies were compared with models of strategic change so that consideration could be given to the strategies colleges needed in order to be successful and to cope with future change.

This research project covered the period from 1993 until 1999. Colleges were asked, in a national survey, what they considered to be the most important changes they faced at incorporation and in the years immediately after it and how they had coped with these changes. Key issues were identified from the results of this survey, which were followed up in case studies in order to consider the approaches to strategic change in a number of colleges. A conceptual model was developed in order to provide the theoretical foundation for the research and to provide a framework for the conclusions reached as a result. The findings of the research emphasised the importance of environmental assessment and organisational leadership in achieving effective strategic change.

Acknowledgements

I would like to thank everybody at the Open University and in the School of Management in the Open University Business School for their support in completing this research, in particular Professor Alan Lawton. His guidance has been invaluable. I would also like to thank Dr Geoff Mallory for his interest in my work, and Mrs Kathleen Palmer and other people who have provided a critical review of my thesis at various stages and the people who co-operated fully with me in carrying out this research project.

Contents

Acknowledgements

Contents

<i>List of figures</i>	Page
Chapter 1 The Research Project	1
1.1 The subject and object of the research project	1
1.2 The further education sector in context	6
1.3 The incorporation of colleges of further education	26
1.4 Strategic planning in the further education colleges	39
1.5 “Learning to Succeed: a new framework for post-16 learning”	46
Chapter 2 Developing a Theoretical Framework	51
2.1 A review of the literature	51
2.2 Strategy	52
2.3 Strategic ‘competitive advantage’	62
2.4 Styles of strategy	65
2.5 Strategic change	69
2.6 Strategic change and organisational culture	74
2.7 Strategic change in the public sector	78
2.8 The links between the public and private sectors in the management of strategic change	91
2.9 Strategic change in further education	101
2.10 The theoretical framework and the conceptual model	104
Chapter 3 The Research Process	114
3.1 Introduction	114
3.2 Surveys	122
3.3 The use of a survey in this research	126
3.4 Triangulation in the research process	130
3.5 Case studies	131
3.6 The use of case studies in this research	141
Chapter 4 The National Survey	148
4.1 The Survey	148

4.2	The results of the National Survey	149
4.3	Summary of the responses to the National Survey	150
4.4	The identification of critical success factors	165
Chapter 5	The Case Studies	171
5.1	The use of case studies	171
5.2	The selection of case studies	175
5.3	The interviews	181
Chapter 6	Case Study 1: ‘Head in the sand management’	184
6.1	Background to College A	184
6.2	Causes of change	186
6.3	Organisational changes	186
6.4	Funding and finance	188
6.5	The role of the governing body	190
6.6	Consultation and communication	191
6.7	Competition	193
6.8	Marketing	195
6.9	Strategic planning	197
6.10	The future development of the College	200
6.11	Key issues arising from the Case Study	205
Chapter 7	Case Study 2: ‘A sense of purpose’	211
7.1	Background to College D	211
7.2	Causes of change	213
7.3	Organisational changes	218
7.4	Funding and finance	222
7.5	The role of the governing body	223
7.6	Consultation and communication	224
7.7	Competition	227
7.8	Marketing	228
7.9	Strategic planning	231
7.10	The future development of the College	234
7.11	Key issues arising from this Case Study	238

Chapter 8 Case Study 3: ‘A cul-de-sac’?	243
8.1 Background to College L	243
8.2 The causes of change	245
8.3 Organisational changes	246
8.4 Funding and finance	253
8.5 The role of the governing body	254
8.6 Consultation and communication	256
8.7 Competition	258
8.8 Marketing	260
8.9 Strategic planning	264
8.10 The future development of the College	266
8.11 Key issues arising from this Case Study	268
Chapter 9 Case Study 4: ‘Moving in the right direction’	273
9.1 Background to College P	273
9.2 The causes of change	274
9.3 Organisational changes	275
9.4 Funding and finance	278
9.5 The role of the governing body	281
9.6 Consultation and communication	283
9.7 Competition	290
9.8 Marketing	291
9.9 Strategic planning	293
9.10 The future development of the College	295
9.11 Key issues arising from this case study	298
Chapter 10 Analysis of the Case Studies	302
10.1 The Case Studies	302
10.2 The external context	302
10.3 Funding	305
10.4 Organisational changes	307
10.5 Management	309
10.6 Consultation and communication	314
10.7 Environmental assessment	320

10.8 Planning and development	324
10.9 Stakeholders	327
10.10 Comparisons and contrasts between the Case Studies	330
Chapter 11 Conclusion	340
11.1 The conceptual model	340
11.2 The external and internal context	342
11.3 The content and process of change	345
11.4 The public sector	352
11.5 Evaluation of the research	354
Postscript	358
References	361
<i>Appendix</i>	

List of figures

Figure	Page
1.1 Further education colleges by size	9
1.2 Funding allocations in further education	9
1.3 Student numbers in further education colleges	9
1.4 Student numbers by mode and age in further education	9
1.5 Level of qualifications in further education	10
1.6 Qualification aims in further education	10
1.7 The role of the various bodies involved in further education in England	35
1.8 The development of further education	48
2.1 Pettigrew, Ferlie and McKee's model of strategic change	72
2.2 Relationship between strategic change, change management and organisational culture	87
2.3 The conceptual model	110
3.1 Case Study Method	144
4.1 Causes of change in colleges of further education	151
4.2 How well colleges have coped since incorporation	153
4.3 The move away from the local authorities	154
4.4 The advantages of incorporation compared to local authority control	155
4.5 Competition to colleges	156
4.6 College stakeholders	159
4.7 The role of college governing bodies	161
4.8 Problems in establishing a management information system in colleges	163

5.1 The regional distribution of the Colleges in the Case Studies	179
5.2 The size of the Colleges in the Case Studies	179
5.3 The organisational roles of the interviewees in the Case Studies	181
6.1 The Senior Management Team of College A at incorporation	187
6.2 The Senior Management Team of College A in 1998	187
7.1 The Senior Management Team of College D after incorporation	218
8.1 The Senior Management Team of College L in 1996/97	247
8.2 The Senior Management Team of College L in 1999	248
9.1 The Senior Management Team of College P in 1999	275
10.1 Causes of change	304
10.2 Funding levels	305
10.3 Functional managers	308
10.4 Size of governing bodies	311
10.5 Levels of consultation	315
10.6 Triggers for change	319
10.7 Competition in the Colleges	321
10.8 Marketing in the Colleges	322
10.9 The future of the Colleges	327
10.10 FEFC funding allocations	331
10.11 Comparisons and contrasts between the Case Studies	335

Chapter 1 The Research Project

1.1 The subject and objective of the research project

The subject of the research was strategic change in further education in the period from the incorporation of further education colleges in April 1993 to the White Paper “Learning to Succeed: a new framework for post-16 learning” published in June 1999. The objective of the research was to discover the effect on colleges of further education in England of the changes in their environment caused by incorporation and to examine the strategies employed by colleges in coping with these changes, in order to compare these with models of strategic change. A further objective was to consider which strategies could be successful in coping with future changes.

The research proposition was that colleges of further education needed to develop strategies which would enable them to cope with the environment in which they operated and changes to this environment. The focus of the research was to examine how further education colleges sought to respond to the changes in their external environment in the period between 1993 and 1999, through the development of strategies which matched organisational capability with external restraints. The research hypothesis could be summarised as: ‘in order to be successful colleges of further education must have strategies which enable them to cope with changes in their environment.’

The research process was to start with an understanding of the development of further education leading up to the changes that occurred in 1993 and the

importance of these changes (Chapter 1). The literature of strategic change and strategy, particularly that which was relevant to the public sector, was analysed to highlight the theories and models which could be applied to further education and to establish a theoretical framework for the investigations which followed (Chapter 2). Research methods were considered to arrive at appropriate methods to achieve the objectives of this research and past research relevant to this project were studied (Chapter 3 and 5). The results of these investigations were described analysed to arrive at key issues and critical success factors (Chapters 4, 6, 7, 8 and 9). These issues and factors were considered (Chapter 10 and 11) in relation to the theoretical analysis and the conceptual model in order to meet the objectives of the research.

The literature analysis suggested that there has been limited research into the further education sector and even more limited studies of strategic change in the sector. The importance of the period after 1993 was that for the first time in England colleges of further education were brought under a national financial framework and for the first time they became independent corporations limited by guarantee with charitable status and with responsibility for their own management and strategic development. The six years covered by the research project represent the major period when this particular structure existed, with its constraints and opportunities. After the publication of the White Paper in 1999, colleges had to start to consider the new structures which were to be introduced.

In April 1993 further education (FE) colleges in England were incorporated as a culmination of government policy over a period of years. The Education Reform Act of 1988 provided for colleges to have 'Local Management', which meant that

they obtained a degree of self management within a 'one-line budget' channelled through the Local Education Authorities (LEAs). In practice LEAs retained overall control over finance and over personnel policies as well as college strategy . Although aspects of operational management were delegated to colleges, the general direction of the colleges and their place in the local education structure was still determined largely by the LEAs The challenge facing further education in the early 1990s as a result of the White Paper "Education and Training for the 21st Century" (HMSO, 1991), was well summarised by Ursula Howard in Levacic and Glatter (1997 p 1):

"In February 1991, newspaper headlines heralded the changes to further education (FE) which were to be outlined in the May White Paper with phrases like 'FE comes of age', and 'FE colleges to be set free'. But no independence or liberation comes without great effort and struggle, even if it is handed down by Government policy and called 'incorporation. Once removed from local authority control, FE colleges were responsible for themselves, but at the same time subject to a whole range of tests which it was essential they passed. This included a new inspection regime, new frameworks for strategic and business planning in a mission-led culture, pressure to move staff to new contracts, audit requirements, the introduction of new qualifications, multiple quality assurance arrangements and a set of new partners (such as TECs) as change in other government departments impact on FE. These changes coincided with challenges to serve new, excluded communities; to contribute to National Targets for Education and to introduce new technologies into the teaching

and learning environment and the management infrastructure.”

(Howard 1997)

Ursula Howard (the Director of Research and Information at the Further Education Development Agency) epitomised the changes to further education as *“a revolution in one under-publicised and under-researched sector of education”* (in Levacic and Glatter, 1997 p 2).

While the 1988 Education Reform Act had required LEAs to delegate budgets to colleges, the May 1991 White Paper and the Further and Higher Education Act which followed it in 1992, brought about the incorporation of colleges in April 1993. This was the culmination of some years of change and provided for the removal of the colleges from LEA control and funding by special further education funding councils. Separate funding councils were established for England and for Wales. In England, the Further Education Funding Council (FEFC or FEFCE) was provided with funds from the central government to pass on to the incorporated FE colleges. The culmination of this period of incorporation for colleges was heralded in June 1999 with the publication of the White Paper “Learning to Succeed” (DfEE 1999) and Simon Midgley writing in the Times Educational Supplement (1999) considered that *“the world of further education is once again poised on the brink of momentous change. The past five years may have witnessed a dramatic transformation, but the next few promise even more radical reforms”* (October 15th, FE Focus p V).

In the six years between incorporation and the 1999 White Paper, FE colleges had to develop strategies to deal with their changing environment. The research focus was

on examining what colleges saw as the environmental changes had effected them and how they have developed their internal capability to formulate and implement strategy. During this period further education went through a period of change which required a strategic response, which provided an example of strategic change in the public sector similar to developments in other areas of the public sector in particular and areas of the private sector. Both public and private sector organisation have had to cope with changes to their external environment caused by such factors as competition, government legislation, technological, social and economic changes. At the same time, because further education has been described as an under-researched sector of education (Ursula Howard in Levacic and Glatter, 1997, p 2) and also under-theorised (Peeke 1999), this research can help to fill this gap as well as adding to more general considerations of strategic change in public sector organisation

“There is a strong belief that the whole of FE is under-theorised. We draw heavily on what is going on in schools to try to understand what is happening in FE and that may not be appropriate. It is the same thing with management. There is a big generic body of theory about management out there, but the stuff that is specific to managing FE is virtually non-existent.”

(Graham Peeke, TES 1999, p 24)

There has been, of course, some research into FE and into FE management (examples are discussed in Chapter 3), however there is a view that there is less research into the Further Education Sector compared with other sectors of education and other areas of management and that there should be more because the Sector has become of increasing importance in meeting government education and training targets, it has not been well understood and it provides an example of management

in the public sector. An aim of this research is to explore the subject, add to the available research in further education management and to help to develop a theoretical bases for aspects of this management.

1.2 The further education sector in context.

A consideration of the development of colleges of further education can help in the understanding of the colleges in the 1990s. Each college has been described as the *“product of its history”* (Hall 1994, p 9), and at incorporation each college had developed in its own way within the overall context of further education. At the same time every college reflected the local area in which they were situated and the social and cultural complexity of the local population and were strongly affected by the local economy and changes to it. They provided a ‘second chance’ for educational achievement for many people as well as access to higher education, to jobs and to new skills (Huddleston and Unwin 1997). Incorporation was a watershed in terms of this historical perspective because it replaced the local framework for further education with a national framework and altered the relationships that colleges had built up over many years. It was against this background that colleges became responsible for their own strategic development and that college management was faced with the challenges of strategic change.

In 1985 the colleges under local authority control in England employed approximately 90,000 lecturers with an enrolment of students of over two million equivalent to 900,000 full-time students (these figures include colleges in Wales which came under the same structure as colleges in England until 1993). By 1996-97 there were over three million students enrolled in the 453 colleges funded by the

Further Education Funding Council for England including 281 general and tertiary colleges, 111 sixth form colleges and 61 specialist colleges (including agricultural colleges and art colleges). The number of colleges was falling during this time through mergers, mainly of sixth form colleges and specialist colleges with general colleges.

The diagrams on the following pages (pages 9 and 10) are reproduced (hence the greyish background from the newsprint) from a special feature item in the Times Higher Educational Supplement for November 19, 1999 "Further Education in England: Facts and Figures". These diagrams provide a snapshot of the Sector in 1998-1999. The six diagrams that have been reproduced are "FE Colleges by Size", "Funding Allocations", "Student Numbers in FE Colleges", "Student Numbers by Mode and Age", "Level of Qualifications" and "Qualification Aims". This profile of the Further Education Sector was produced just at the point when discussion was taking place on the changes colleges were about to face as a result of the publication of the White Paper "Learning to Succeed" in June 1999. In the Contents Section List of Figures, these diagrams are listed as Figures 1.1 to 1.6.

Figure 1.1 "F E Colleges by Size" (based on FEFC funding 1997-98) shows that general and tertiary colleges were in most cases larger in terms of the number of students than sixth form colleges and specialist colleges. Most further education colleges had more than 4,000 students while few specialist or sixth form colleges had more than 4,000 student enrolled. Some FE colleges had more than 20,000 students enrolled and the largest groups of colleges had between 4,000 and 12,000 students. These differences were reflected in Figure 1.2 "Funding Allocations in

further education” (based on FEFC recurrent funding allocations 1998-99, with 1997-98 and 1996-97 figures in brackets). The total allocation of funds from the FEFC in 1997-98 was nearly three billion pounds, of which over £2.4 billion was allocated to general colleges of further education, that is 83% of the total. At the same time the allocation of funds to further education colleges had increased steadily over the three years shown in this pie chart. It was as a result of this predominance of general and tertiary colleges in the Sector in both size and funding that this research was focused on them

Figure 1.3 “Student Numbers in FE Colleges” shows over a five year period (1994-95 to 1998-99) that both FEFC funded and non-FEFC funded full-time student numbers changed very little while FEFC funded part-time students increased considerably, particularly over the first three years covered. Most of these students (60%) were part-time and over 25 years of age as shown in Figure 1.4 “Student Numbers by Mode and Age” (FEFC funded colleges 1997-98). This diagram also showed that 21% of students, full-time and part-time, were under 19 years of age while 79% were over 19, including 64% over 25 years of age. Figures 1.5 “Level of Qualifications” (studied in FE colleges 1997-98) and Figure 1.6 “Qualification Aims” (by type 1997-98) confirm that in general colleges provided programmes of study which were between basic education and higher education. Most students were on part-time basic education and vocational programmes (the 67% ‘other’ in the pie chart, plus the 9% NVQ), with 17% on GCE ‘A’ level and GCSE courses, 6% on full-time GNVQ and 1% on HNC/HND and access to Higher Education programmes.

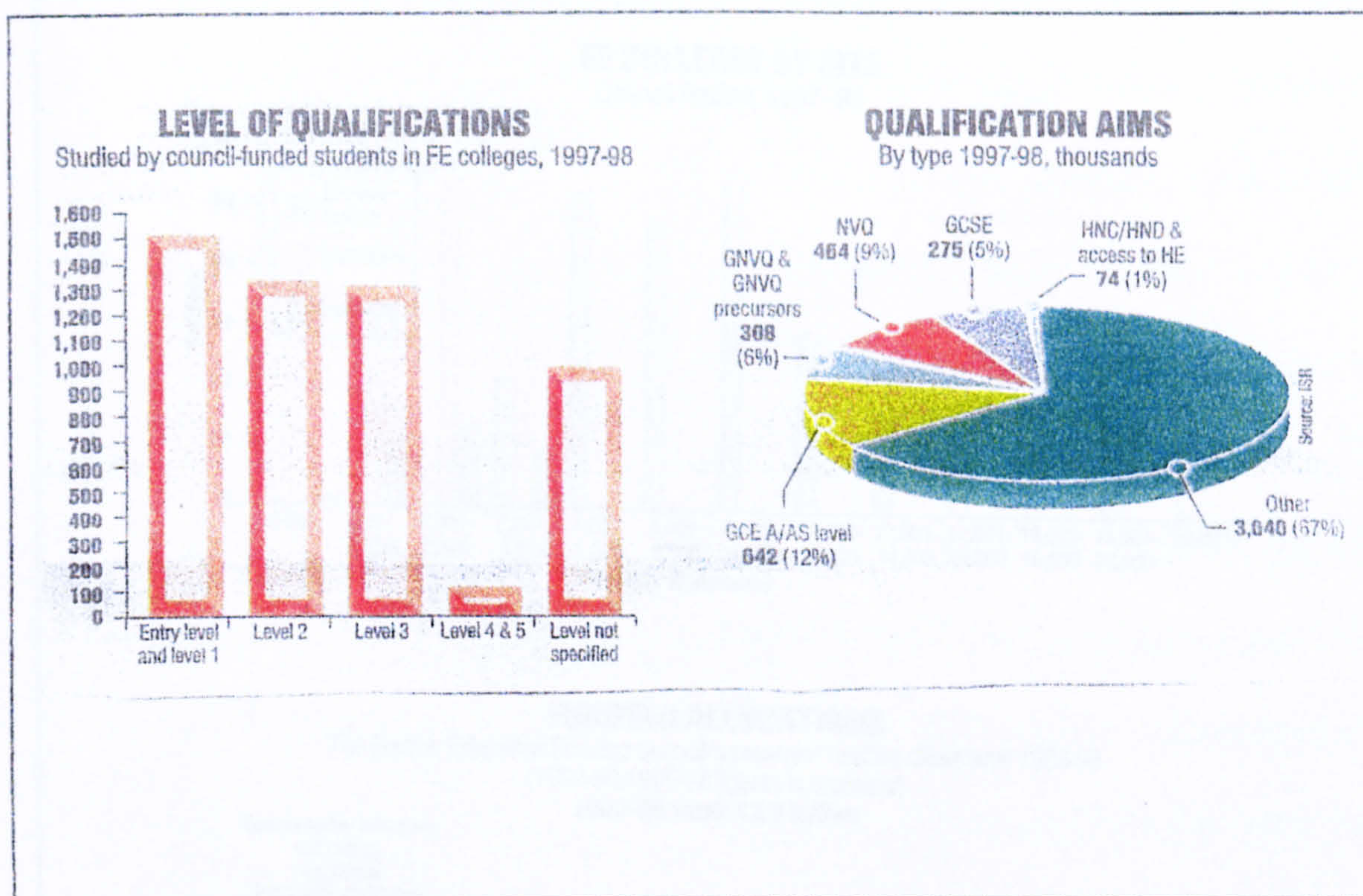
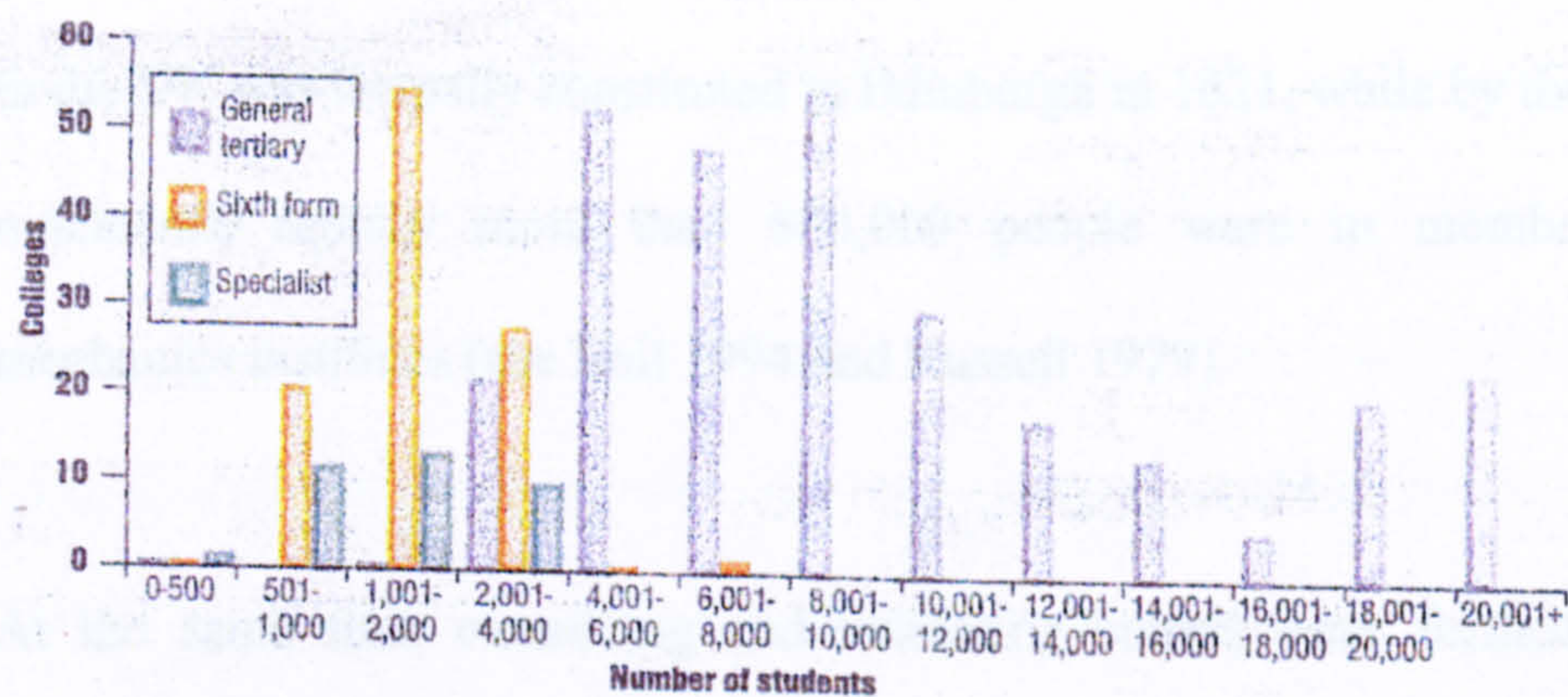


Figure 1.3 “Student Numbers in FE Colleges” bar chart shows that during the main period of incorporation student numbers rose from three million in 1994-95 to just over four million in 1989-99. This increase in student numbers combined with the age profile of students went some way towards meeting one of the objectives of the government in introducing incorporation. This was to encourage more people to continue their education and training after school and into adult life.

The history of the further education sector (based on Cantor and Roberts 1979, Russell 1979, Hall 1994 and DES, FEU and FEFC publications) extends back into the nineteenth century, when technical institutes and evening institutes were established to meet the differing needs of their local communities. Vocational education grew significantly after industrialisation in the eighteenth century. The growth of technological development, coupled with the idea of ‘self-help’

FE COLLEGES BY SIZE

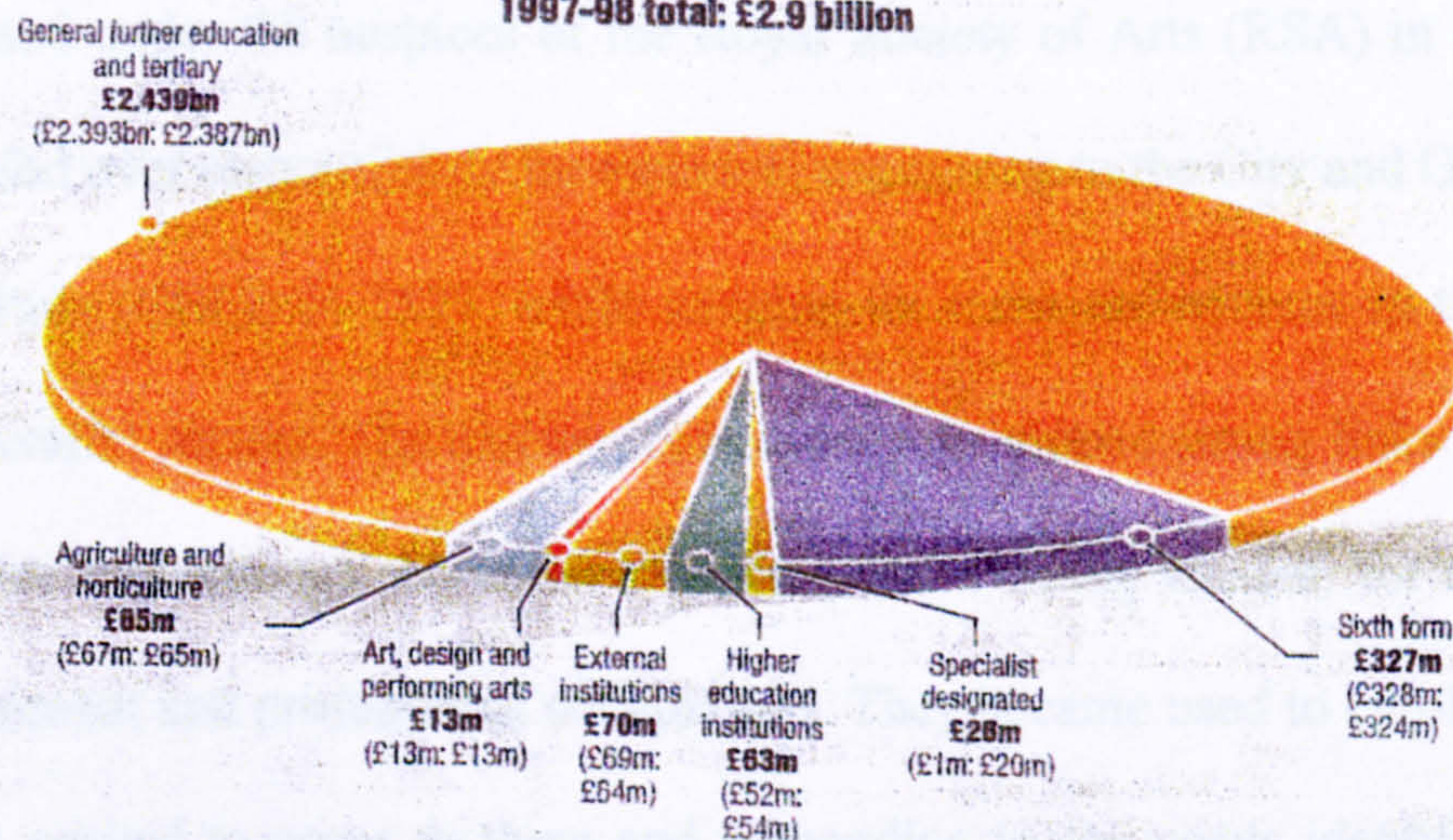
Council funded, 1997-98



FUNDING ALLOCATIONS

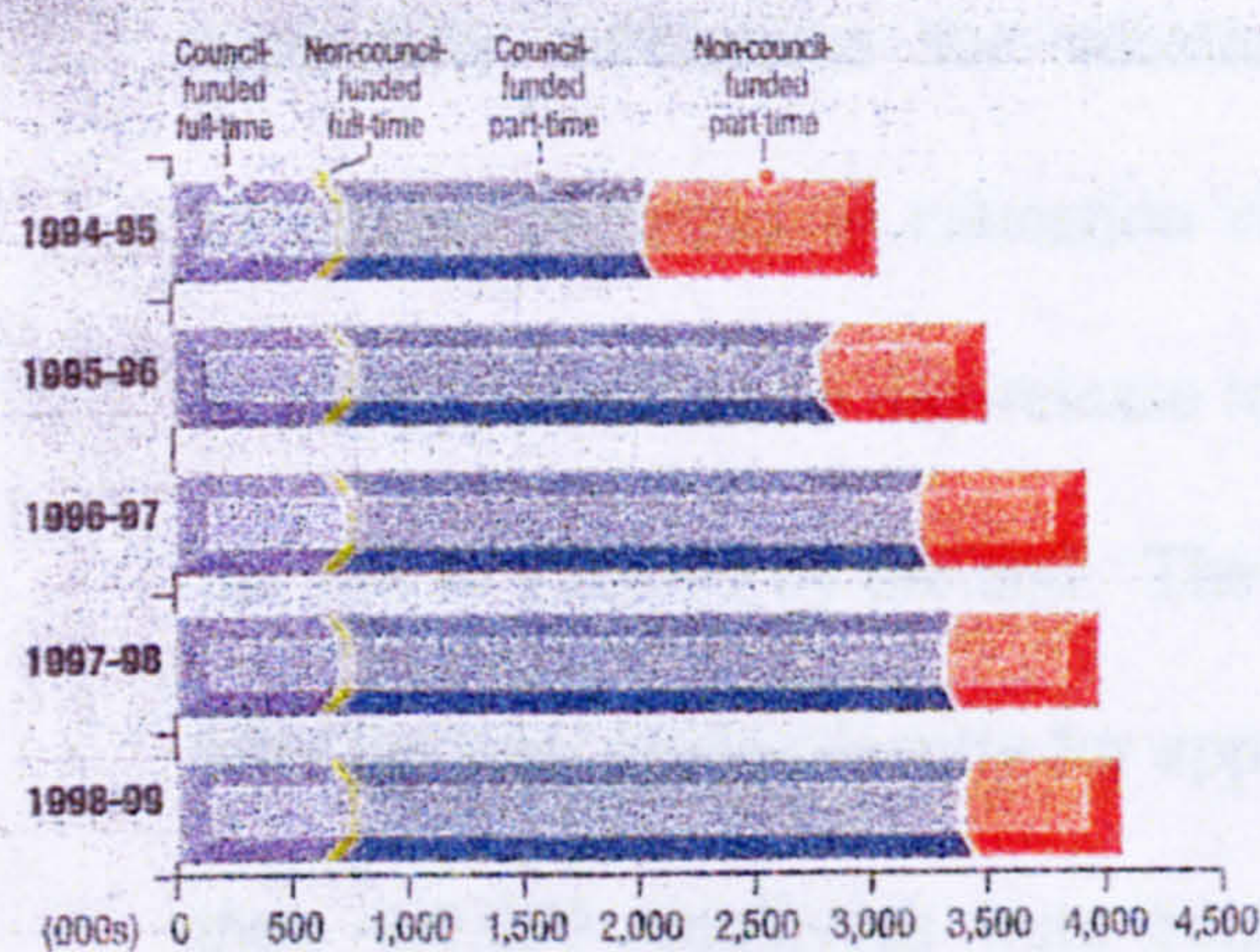
The Further Education Funding Council's recurrent funding allocations 1998-99
(1997-98:1996-97 figures in brackets)

1997-98 total: £2.9 billion



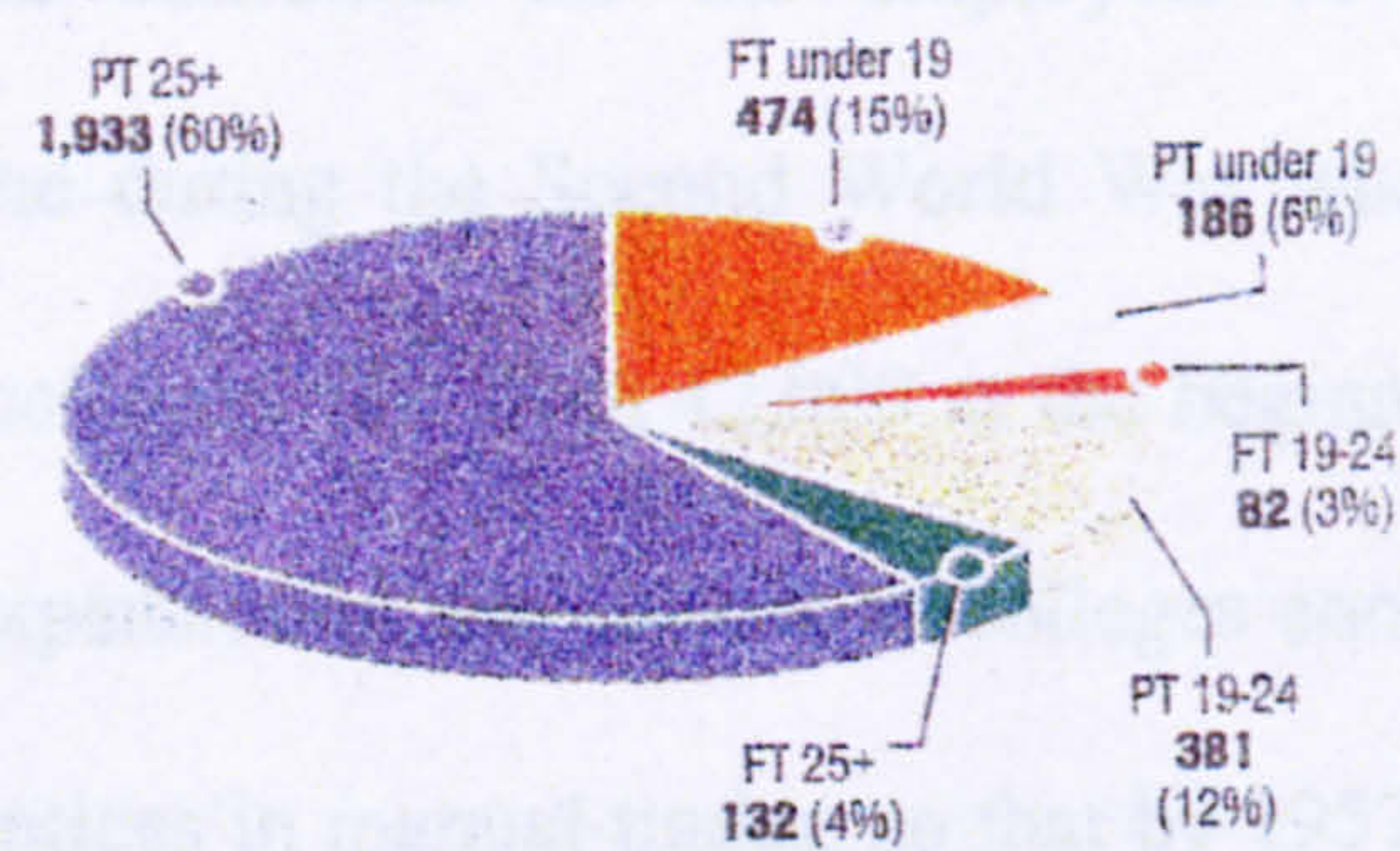
STUDENT NUMBERS IN FE COLLEGES

1994-95 to 1998-99



STUDENT NUMBERS BY MODE AND AGE

In FEFC-funded FE colleges 1997-98, thousands



encouraged by the Industrial Revolution, led to the rapid development of evening classes in mechanics institutes where workers would improve their skills, learn new scientific and technological knowledge and broaden their minds. The first institute in the UK was formally constituted in Edinburgh in 1821, while by the middle of the nineteenth century more than 600,000 people were in membership of 610 mechanics institutes (see Hall 1994 and Russell 1979).

At the same time examining and validating boards were formed at local and national levels to establish recognised standards for the growing number of students who wanted accreditation of their study. The first national examining board was formed under the auspices of the Royal Society of Arts (RSA) in 1856. The RSA handed over responsibility for technical examining to the City and Guilds of London Institute (CGLI) in 1879, while keeping its remit for courses in the business and secretarial sectors. The mechanics institutes developed strong links with employers, particularly through day-release courses and evening classes, for a wide range of vocational and professional occupations. They became used to enrolling all students who wished to come to them and responding to the needs identified for them by their local education authorities. Prior to 1940 these institutes, or colleges, were essentially institutions for vocational education for the employed. A major expansion of technical education came during the Second World War when the number of workers on day release to colleges rose from 42,000 at the beginning of the war to 150,000 by the end. The expansion of day release to colleges continued after the war, predominantly for apprentices in manual trades, so that by 1957 more than 400,000 employees were being released from work for part-time study in colleges.

The 1944 Education Act made it *“the duty of every local authority to secure the provision for their area of adequate facilities for further education”* (Section 41). Further education was defined as *“full-time or part-time education for persons over compulsory school age: and leisure occupation, in such organised cultural training and recreative activities as are suited to their requirements, for any person over compulsory school age who are able and willing to profit by the facilities provided for the purpose”* (Section 41). ‘Securing provision’ of facilities for further education meant that local authorities did not necessarily have to provide these facilities, they could stimulate private effort, assist existing institutions or establish colleges. For this the local authorities were responsible to the Secretary of State, to whom they had to submit schemes which could be modified or expanded as thought fit by the government. The Secretary of State exerted control through a system of inspection, while Governing Bodies acted as a sub-committee of the local education authority. The governing bodies were not legal entities, they were dominated by representation by the local authority.

The central government provided funds for further education as a part of the calculation of the Rate Support Grant. This was based on a formula which included provision for further education based on the number of further education students in an authority. It could claim ‘recoupment’, or the recovery of costs, from another authority if it was providing further education for that authority’s students. At the same time the largest part of expenditure on further education was on salaries which were based on the Burnham Committee agreements. These committees were first established in 1919 and their role was confirmed by the 1944 Act. Once agreement

had been reached through this committee, the local authority had to pay the scales that were agreed. The local authority could decide how many lecturers a college could appoint, that is the size of its so-called 'establishment' and this could be reduced in size by the local authority, or 'frozen' at a particular size, or increased. These decisions were based on the funding for further education received by the authorities, on their general financial position and on prevailing political views within the authority. At this time further education colleges were in the position of being a service provided by the local authority amongst the many other services it provided. They did not form a high priority amongst council members because unlike schools, colleges were not seen as the responsibility of a particular local authority ward and relatively few votes were gained or lost as a result of the relative success or failure of the local college. Although these structures were modified over the years after 1944 it was not until the 1980s that major changes were introduced.

The post-war economic recovery depended on a pool of trained workers to draw upon and there was growing concern in the 1950s over skill shortages and unfilled vacancies. The government decided in a White Paper on "Technical Education" (Ministry of Education, 1956) that technical colleges would be the main vehicle in the public sector for dealing with this shortage. At the same time some colleges were allowed to provide technological courses of university degree standard, with the courses co-ordinated through regional advisory councils under the umbrella of a National Advisory Council on Education for Industry and Commerce. Colleges operating on a regional basis were able to offer full-time and sandwich courses and some advanced courses, mainly for part-time students. The local technical colleges

offered non-advanced vocational courses, mainly on a part-time basis. There were also adult education institutes and services organised by LEAs which mainly provided recreational courses.

As a result of the 1956 White Paper a number of regional colleges were designated as Colleges of Advanced Technology (CATs). By the end of the 1960s these CATs had been taken out of the local authority system into a system of direct funding. These institutions became technological universities and the gap left in the public sector provision was filled by polytechnics. They were created in 1966 from the regional colleges that had not become technological universities. Vocational further education in the 1960s was strongly influenced by the statutory industrial training boards (ITBs) which were set up to increase skills training in industry and commerce and to ensure that all employers paid towards the cost of training within their industry through a levy/grant system. The world economic recession in the 1970s saw a slowing down in the growth of vocational education in colleges. Engineering departments in particular went into decline. Most colleges compensated for this in the 1970s and 1980s by offering courses for unemployed adults and young people taking part in government training and employment schemes (such as the Youth Training Scheme). This led to many jobless people coming into colleges for vocational courses.

Another factor compensating for the decline in the traditional vocational work was the growth of new vocational areas in service industries and of full-time and academic courses. Technical colleges became centres which provided a second chance for adults to gain academic qualifications which, for one reason or another,

they had failed to obtain at school. There were also an increasing number of young people who preferred to study in the more adult environment of a college than a school. This was helped by the failure of some comprehensive schools to build up a viable post-16 provision, while some local authorities removed sixth forms from schools and merged them to constitute a sixth form college, and others combined sixth forms and an FE college to form a tertiary college which provided both academic and vocational education for young people after leaving school at 16 years of age.

In 1984 a publication by the National Economic Development Organisation and the Manpower Services Commission, "Competence and Competition" (NEDO/MSC, 1984) showed that in contrast to 28% of pupils going on to higher education in West Germany, only 14% did so in the UK. Other comparisons with West Germany and other countries such as Japan and the USA showed the UK to be lagging behind in terms of both vocational and academic education. As a result the government introduced a number of initiatives to encourage the growth of education and training. These included an expanded role for the Manpower Services Commission (MSC) as the government sponsored national training agency and the introduction of the Technical and Vocational Education Initiative (TVEI) to encourage vocational education in the 14-18 age group.

The 1985 Further Education Act allowed LEAs in England and Wales to set up companies to conduct commercial activities. As a result a number of colleges set up trading companies to engage in commercial activities which enabled them to take new initiatives while not subjecting the college as a whole to the prospect of

possible financial loss. These companies were a very small part (that is usually about 2%) of college work but they did provide colleges with the opportunity to experiment in commercial areas and to extend their activities. Companies were formed to take advantage of government grants and contracts available through the Department of Employment and the Manpower Services Commission and to build on college strengths in terms of staff skills. Many of these companies were established to organise programmes of short training courses for industry and for the public in general covering a range of areas such as management techniques and foreign languages and in particular in keyboard skills and information technology.

This development enabled colleges to add to the income they received through the local education authority, although it was a very small addition, and enabled college managers to be involved in limited entrepreneurial activity and in managing and controlling an independent 'business-like' organisation, however small. This included setting out business plans, taking commercial risks and competing with private sector training organisations. It also enabled colleges to create stronger links with private sector companies and to provide training in areas that were not covered by LEA funding. It can now be seen as a small step on the way towards incorporation as a reflection of government policy towards giving education institutions greater autonomy from the LEAs. This process was carried forward by the 1988 Education Reform Act and in particular by two DES circulars "Governance of maintained further and higher education colleges" (DES 1988, Circular 8/88) and "Local management of further and higher education: planning and delegation schemes and articles of government" (DES 1988, Circular 9/88).

The 1988 Education Reform Act redefined the further education sector. The 1944 Education Act had placed a duty on local education authorities to provide further education. The term 'further education' was loosely defined and included what is now known as higher education. There was meant to be a continuum between the two, a 'seamless robe', which only distinguished further and higher education courses in terms of non-advanced and advanced. The 1988 Act confirmed that it was the duty of every local education authority to secure provision for their area of adequate facilities for further education. FE was then defined in terms of full and part-time education and training for persons over compulsory school age and organised leisure-time occupation provided in connection with the provision of such education.

At the same time the Education Reform Act shifted the existing balance of power and control from the LEAs to the FE colleges and established a more transparent formula-based funding process than previously had been the case. The Act established the 'local management of colleges' (LMC) which meant that LEAs provided colleges with a 'one-line budget' which the colleges could then spend to secure the provision to which they were committed. This was part of government policy to improve efficiency and effectiveness in the public sector by putting decision making closer to the point of delivery. The composition of college governing bodies was altered to increase the number of members from business and to reduce the number from the LEA. This reduced the influence of LEAs on colleges in many cases to a considerable extent, because for the first time in some colleges the role of chair of governors passed from an LEA councillor to a governing body member from business. It also reduced the local political influence on colleges

because up to this time councillors were chosen for governing bodies on the basis of political party numbers on the local council, so that governing bodies could be dominated by political considerations.

The background to this Act was outlined in the 1985 Audit Commission for Local Authorities in England and Wales report on “Obtaining Better Value from Further Education” (Audit Commission, 1985) which identified the need for the better marketing of further education courses, tailoring teaching resources more closely to demand and controlling costs. This was against the economic backdrop of high unemployment, with unemployment amongst 16-19 year olds averaging over 16%, and a growing skills gap with other industrialised countries. This was highlighted in the Manpower Services Commission and National Economic Development Office report on “Competence and Competition” (HMSO, 1984) which compared training and skills development in the UK with that in other industrial countries such as Japan, Germany and the USA. It was also noted in the Audit Commission Report that between 1980 and 1994 the number of 16-19 year olds would have fallen by one third which would have an effect on the supply of labour in the future. The later developments in further education such as the establishment of national training targets and the incorporation of colleges can be seen against this background. Further education came to be seen by the government as an important weapon in economic growth and regeneration in the country and the 1988 and 1992 Acts can be considered as the government answer to the question as to how best to govern colleges so that they would achieve government objectives.

As a result of these economic and social factors the 1985 Audit Commission Report had stated that *“in recent years, developments outside the control of individual councils and Local Education Authorities (LEAs) have made it increasingly difficult to manage this service at the local level”* (Audit Commission, 1985 p 5) In the light of later developments it is of interest to note that the Audit Commission Report emphasised the importance of a effective marketing effort by colleges: *“many FE establishments are sizeable operations in their own right, with a cost base appropriate to companies with sales of £5m a year or more. Such companies would have one or two senior executives assigned full time to understanding the market they are seeking to serve and devising ways in which their products can be made attractive and relevant to changing market needs. Colleges face similar challenges and require similar expertise.”* (Audit Commission 1985, p 11)

The 1988 Act represented a ‘half-way house’ between LEA control and ‘incorporation’. In practice, LEAs retained a degree of control over the finances and personnel policies of colleges. The control of personnel was an important aspect of financial control, because staff salaries represented seventy percent or more of most college expenditure. The strategic development of colleges was also still to some extent in the hands of the LEAs although there was a shift of influence towards the new governing bodies which were no longer dominated by local councillors but were dominated by independent members and in many cases by members representing local businesses.

The changes introduced in the Act were important because they were designed to increase the link between colleges and local industry and commerce and to increase

the flexibility of colleges to respond to local education and training needs. The long established systems of control, particularly over finance and personnel, remained in place for a time even though colleges had more flexibility within their lump-sum budgets to move money from areas of declining demand to those of increasing demand and for new initiatives. The strict system of 'virement', which had established a bureaucratic process to move parts of the budget from one heading or cost centre to another, was greatly weakened and governing bodies began to take on a new independence from the LEAs. College no longer required LEA authority to spend parts of their budget in ways that had not been previously agreed.

The Education Reform Act also removed polytechnics from LEA control and established a higher education national funding body in 1989. This was originally the Polytechnics and Colleges Funding Council (PCFC), which subsequently became the Higher Education Funding Council for England (HEFCE). This development led to speculation as to whether FE colleges would follow polytechnics into a national funding process. By the 1990s, the 119 LEAs in England and Wales each had different priorities for their further education colleges, within various structural frameworks. Some supported tertiary systems embracing all post-16 provision, others retained 11-18 schools, some had established sixth-form colleges, and yet others had hybrid systems which accommodated a number of these models within their geographical area. Some LEAs controlled colleges which only provided for the local population, others included colleges with a regional coverage and other colleges included national provision in specialist areas.

In essence it was the LEA which dictated the size, shape, character and funding of its college or colleges, although some of them had regional or even national or international catchment areas. Under this system, some colleges were generously funded, others treated as a low priority in their area (Hall 1994). Most occupied poor and badly maintained buildings, although a few benefited from capital investment and were treated as the 'jewel in the crown' of their local LEA.

"Further education colleges are not standard, bureaucratically defined institutions but rather each is a product of its history, the policies of its previous governing bodies and local education authority, and the local demand from employers and communities." (Hall, 1994 p 9)

Prior to the 1988 Education Reform Act the local authorities in each area of the country decided on the size and structure of their FE colleges. They were the employers of college staff, they decided on the repair and maintenance of college buildings and through the local education authority they controlled the college curriculum. LEAs had to ensure that colleges were accountable because they were spending public funds. What happened in practice depended on local arrangements but colleges could have to go to their local authority for the simplest aspects of the upkeep of their buildings, for equipment requirements, for any change in their programme of courses. Some colleges had some control over these areas delegated to them from their LEA, however the LEA could inquire into every aspect of college work including details such as its use of telephones or the number and range of its library books.

As well as a range of regulations to control colleges, overall control was exerted through funding. All central government funds were channelled through the local

authorities who decided how much to pass on to the colleges they controlled and on the way they did this. The government pressure on local authorities for greater efficiency in the 1980s meant that colleges could become part of their authorities savings programme and have their budget reduced in line with other local authority services. This could mean that college budgets might not be linked to the demand for their education and training programmes, or to the education and skills needs of the country, but were linked to the needs of their local authority and the services they offered in their area of responsibility (Audit Commission 1985) . Their provision could also be controlled by local authorities, so that for example some colleges were not allowed to organise full-time 'A' level courses, even if there was a demand for them, because these were provided in the LEA school sixth forms and the LEA felt that colleges should only provide part-time 'A' levels for adults. Colleges were not necessarily in a position to satisfy the demand for their services or keep up with the increasingly rapid developments in technology or to provide for the educational and skills needs of the country because LEAs were only interested in their own area not the needs of the whole country.

All colleges had governing bodies which had up to 1988 been controlled by the LEA and they had principals appointed by the LEA, who between them were expected to administer the college on the LEA's behalf. Each college was to an extent the product of the policies of its local education authority. Some colleges were founded by a local authority to provide mainly one part of the curriculum, so that their provision was not only limited to vocational education but could be limited to one part of this, such as engineering, or even to particular forms of this such as mechanical or electrical engineering. With the exception of specialist colleges, most

colleges had diversified their provision during the 1970s and 1980s as the demand for courses changed and areas of local industry and business declined or expanded. However, the flexibility of colleges and their ability to respond to these changes depended heavily on whether or not their local authority was prepared to support them. The pressure for changes in the economy increased during the 1980s and with it the pressure for changes in vocational education and skills training.

In 1988 the Confederation of British Industry (CBI) established a 'Vocational Education and Training Task Force' because of the concern over the gap between the skills of the UK workforce compared with the country's principal competitors. The Task Force reported in 1989 in a CBI publication "Towards a skills revolution" (CBI 1989). Amongst other recommendations this report established 'world class targets' for the "*nation's skills revolution*". These would make qualifications at craftsman, technician and their equivalent levels the norm in industry and "*make lifetime learning a reality throughout the workforce*" (CBI 1989, p 9).

"Britain faces a considerable economic challenge not least in the accelerating pace of change. Competitive skills must be the key response, but here too there is a major challenge. Despite improvements in the 1980s Britain still cannot match the skills of key international competitors in Northern Europe, North America and Japan; while labour costs substantially exceed levels in Southern Europe or the Pacific Basin. A significant and widening skills gap remains." (CBI 1989, p 15)

This report led to the development of 'National Targets for Education and Training' which were revised and renewed in subsequent years (National Advisory Council for Education and Training Targets, 1995). It also led in due course to the White

Paper “Competitiveness: Helping Business to Win” (Cm 2563, HMSO 1994) which confirmed that a competitiveness gap had opened up between the UK and other major economies (HMSO Cm 2867 1995) at least partly because of the skills and productivity gap that the CBI had identified. Further education was seen as an important element in closing this education and skills gap and in helping to achieve the national targets. This was part of the background to the government decisions to change further education, to make colleges more efficient, more competitive and to encourage them to provide education and training for many more people.

At the time of the May 1991 White Paper “Education and training for the 21st century” and the Further and Higher Education Act in 1992 which followed there was not really a national system of further education. *“Apart from the diverse models of provision and widely different levels of funding there has been no systematic policy development at a national level and there was a dearth of information from research, both basic and strategic.”* (Ruth Gee in Levacic and Glatter, 1997, pp 14/15). The 1988 Act started a clear process of change towards a more national policy of further education and the process of providing colleges with the ability to respond to the education and training needs of their locality and the educational and skills needs of the economy. The local authorities retained overall control as a result of this Act and were still the college staff employers. This was altered by the Further and Higher Education Act in 1992 and the subsequent incorporation of colleges in April 1993. *“No one should underestimate the shock to the system in 1993”* (Levacic and Glatter, 1997, p14). The Act *“conferred enormous power upon individual colleges operating within a national framework”* (p15). Colleges became the employers of their staff, they could decide on the

allocation of their budgets and the shape of their curriculum and their funding became based on the work they were actually doing.

The college relationships with their local authorities had been very mixed until this time, they were very much 'the product of their individual histories' (Hall 1994, Limb et al 1992, Cantor and Roberts 1979). Some local authorities had nurtured and supported their local colleges, provided them with good buildings, encouraged them to develop and expand their courses and seen them as an essential part of local educational, social and in some cases leisure services. Some local authorities considered their colleges to be an adjunct of their school system, providing courses that schools could not or were unwilling to organise and courses for adults. They provided only basic maintenance and improvements for college buildings and limited college budgets to what they considered the college should have historically and without taking account of changes in the demand for further education. There was a lack of knowledge and expertise on further education in some LEAs so that further education issues were not always well understood. In some cases, local authorities controlled just one college, in other cases they controlled a number of colleges. Where there was one college there could be only one local authority officer dedicated to further education, where there were more, the local authority could have a section or a department dedicated to further education.

All these differences created a variety of relationships between the LEAs and their colleges, however they all shared in the 'shock' at the introduction of corporate colleges. Local authorities lost control of their colleges, they had to hand over ownership of college buildings and land, they no longer controlled college budgets

in any way, they could not have their members on college governing bodies and colleges could compete freely with the local authority services whether they were schools, adult education centres or leisure facilities.

The 1991 White Paper set out objectives for colleges to widen participation in further education and to boost levels of student achievement. In 1992 the Secretary of State for Education and Employment specified that *“the key aims of funding for further education were that it should achieve growth in student numbers, expand participation and secure greater efficiency”* (Comptroller and Auditor General, 1997b, HC 259, p 7). The 1991 White paper “Education and training for the 21st century” announced a new further education sector for post-16 education and training and as a result of the 1992 Further and Higher Education Act it was this that was formed on April 1st 1993.

1.3 The incorporation of colleges of further education April 1993 to “Learning to Succeed” in June 1999

The national framework was provided by the Further Education Funding Council (FEFC) for England which was made responsible for funding of FE in England (with a similar council for Wales) and by the powers and duties given to the colleges in the 1992 Further and Higher Education Act:

“A further education corporation may (a) provide further and higher education and (b) supply goods and services in connection with their provision of education... ” (18.1) “A further education corporation may (a) acquire and dispose of land and other property, (b) enter into contracts,

including in particular (i) contracts for the employment of teachers and other staff for the purposes of or in connection with carrying on any activities undertaken in the exercise of their principal powers, and (ii) contracts with respect to the carrying on by the corporation of such activities, (c) borrow such sums as the corporation think fit for the purposes of carrying on any activities they have power to carry on..., (d) invest any sums not immediately required..., (e) accept gifts of money, land or other property..., (f) do anything incidental to the conduct of an educational institution providing further or higher education... ” (4.6). (Further and Higher Education Act, 1992)

Colleges of further education became ‘corporations’ as a result of the 1992 Act, with all the powers and responsibilities that went with this. A corporation can be defined as “*a body or society authorised by law to act as one individual unit... such as a company*” (Chambers Maxi Dictionary 1992 p 230). Colleges had the power to employ people, to earn and borrow money, and to decide how to spend their money. At the same time colleges became accountable through the FEFC for a set of imperatives laid down by the Secretary of State for Education. Each college corporation was charged with the determination of the educational character of the college, the approval of annual estimates, the responsibility of ensuring solvency and the appointment and dismissal of the chief executive. The Further Education Council (FEFC) for England was made responsible for the funding of FE in England to include general further education colleges, tertiary colleges, sixth-form colleges and specialist colleges. A similar council was established for Wales..

“It shall be the duty of each council to secure the provision for the population of their area of adequate facilities for education... that is, (a) part-time education suitable to the requirements of persons of any age

over compulsory school age, and (b) full-time education suitable to the requirements of persons who have attained the age of 19 years, where the education is provided by means of a course of a description mentioned in Schedule 2 of this act.” (Further and Higher Education Act 1992, Section 3)

At the same time the council had a duty (under Section 2.1) *“to secure...full-time education suitable to the requirements of persons over compulsory school age who have not attained the age of 19 years.”* In fact Schedule 2 included the courses previously covered in the description of non-advanced education, both academic and vocational. These were vocational and academic, but not leisure courses, up to and including ‘A’ level and equivalent qualifications (advanced courses were those leading to qualifications above ‘A’ level, such as degrees and Higher National Diplomas). Schedule 2 also included access courses preparing students for entry to courses of higher education, but it did not include recreational courses and courses leading to higher or advanced qualifications. The latter were to be continued to be funded by the HEFCE and could be organised in FE colleges through sponsoring or franchising arrangements with universities.

Along with all these changes, at the time of incorporation in April 1993 the Government required an expansion of student numbers in colleges, with a target increase of 25% in three years; increased efficiency through a complex funding methodology designed to produce a convergence of funding levels to a new low national norm; and an ability to demonstrate that the college was contributing to the economic success of its locality and the nation. The measurement of convergence in funding levels was based on the average level of funding (ALF) which at the time of incorporation varied from approximately sixteen pounds per unit of funding in some

colleges to more than double that figure in others. Before colleges could be incorporated they had to show that they were capable of becoming self-governing. The management consultants Coopers and Lybrand, was employed by the FEFC to report on every college's ability to be incorporated and in particular to manage public money. As a result of this some colleges had to pass through a transition period before they could become fully incorporated while others had sufficient financial and management control adequately to safeguard and account for public funds from 1st April 1993. Colleges also had to agree with their local authority exactly what property and other assets were transferred from local authority ownership to college ownership under the terms of the 1992 Act. At the time of incorporation colleges became responsible, 'overnight', for managing their own finances, personnel issues and strategy. At midnight on March 31st 1993, colleges of further education became the employers of their staff, the owners of their land and property and responsible for their own success or failure. The governing body of each college became 'the corporation' or the board of the college corporation, responsible to the Further Education Funding Council and the government for all aspects of the college. The principal of each college became its chief executive, responsible to the board of the corporation for the management and conduct of the college and with the board responsible to the FEFC and the government. Although there had been a period of preparation for these changes, the shift of responsibility occurred 'overnight'. While in the past each further education college had been a product of its history, the sector now became much more standardised and moved from being a local provision to become a 'national sector'.

"Incorporation... placed FE, for the first time, at the centre of the strategy for achieving higher levels of skill and qualifications... the objectives..."

were to raise levels of participation and achievement, to create a more integrated FE sector, and to force colleges to be more dynamic and efficient by placing them in a competitive market situation. Their survival would depend on their efficiency in recruiting the students and achieving the outcomes on which their funding depended.” (Leney et al 1998, p 3)

The FEFC produced a consultative document in 1992 called “Funding Learning” which established the guidelines which were included in the “Guide to Recurrent Funding Methodology” published by the FEFC in 1993. After that two annual publications were issued by the FEFC, one on “How to Apply for Recurrent Funding” and the other on providing information on “Funding Allocations” for the subsequent academic year. In the years after incorporation was introduced there were a number of reviews of the funding mechanism as a consequence of college representations, changes in the public expenditure survey settlements and alterations in government policy.

Under the 1992 Act, college corporations had to have a majority of independent individuals from the world of business, commerce and the professions, and could not include members of the LEA. *“The intention of the Government was that the ethics and practice of the world of business would now dominate”* (Levacic and Glatter 1997, p 19). The strategy and tactics for the delivery of the three ‘Es’ of expansion, efficiency and economic stimulation was left to the individual colleges, while the FEFC described itself as offering a ‘light steer’. The Government promised freedom from control and institutional autonomy with student choice within a demand-led provision, at the same time as requiring better value for money and increased efficiency from all concerned. It also imposed, as a condition of

funding, new teaching contracts and the abolition of the 'Silver Book' conditions of service with the national pay levels which had existed for the previous forty years. *"Former collaborative arrangements between colleges within the same LEA were severed at a stroke and a competitive market-place philosophy replaced them"* (Levacic and Glatter 1997, p 16) and this was equally true of colleges in different LEAs. The change *"required a different organisational culture and management approach"* (Levacic and Glatter 1997, p 15) including the development of a strategy to cope with the changes that had taken place.

"Incorporation has resulted in colleges ceasing to be stable organisations. Instead they are constantly striving to regain equilibrium in an environment of increasing flux. There is considerable environmental diversity: management styles are having to adapt and team-orientated methods which generate requisite variety are clearly in the ascendancy."

(Bassett-Jones and Brewer in Levacic and Glatter, 1997, p 82)

While on the one hand there was institutional autonomy, on the other hand the national framework was introduced by a line of accountability to the FEFC. The abolition of the so called 'Silver Book' conditions of service as a condition of FEFC funding was an example of the exertion of its control over colleges. Also while colleges were responsible for their developing and implementing their own strategy, the FEFC required them to produce three year strategic plans to be revised each year and agreed with the funding council.

"The incorporation phase of FE was an attempt at modernisation through the application of a national framework of funding, inspection and auditing"

within which colleges... compete in what is seen by government as an education and training market. Incorporated colleges, however, are not businesses in the strictest sense. While they have governors, the real line of accountability is to the FEFC, and within the framework of local competition there is a strong strand of national regulation.” (Leney et al 1998, p 5)

In fact the FEFC became a major stakeholder in further education responsible for distributing funds in accordance with government policy, monitoring the value for money provided by further education, securing its ‘sufficient and adequate’ provision and assessing the quality of education provided in the colleges. The success of colleges became largely judged on meeting financial/budget targets and on meeting student/unit targets. The funding mechanism was considered to be the most important element in translating government policy in practice.

“The driving concept of the FEFC model of incorporation was an expanding sector, linked to improved 16-19 participation, improved retention rates and to promote adult learning....it would be a sector with a higher national profile, more standardised so that it could be judged by national criteria for efficiency and effectiveness and operate at reduced unit costs. To this end a funding methodology was created with explicit steers.” (Leney et al, 1998, p3)

Government policy in April 1993 required an expansion within the further education sector of 25% in student numbers in three years combined with increased efficiency targets. This meant that the funding per student was reduced through the average level of funding (ALF) process. Expanding the number of funding units by increasing the number of students and encouraging high retention and achievement rates meant that those colleges that were able to expand increased their FEFC income. However, it became increasingly hard to achieve these

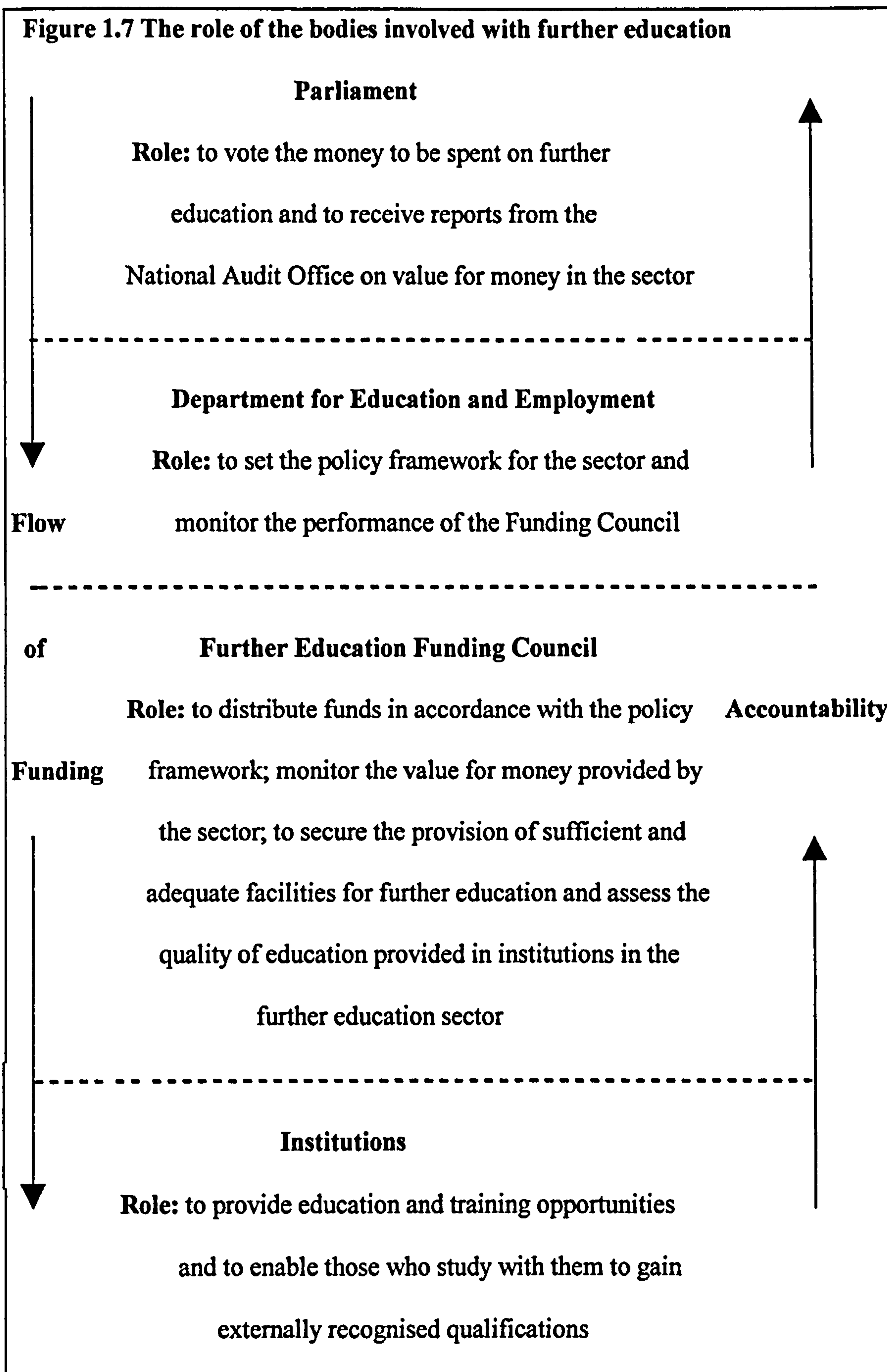
increases, both because each unit became worth less as the FEFC put pressure on efficiency targets, and students became harder to recruit. Colleges introduced initiative, such as distance learning, in order to reach out to students in areas they would not normally access. They also introduced a controversial franchising process where colleges organised their programmes through third parties. This became controversial because the third parties were not always adequately monitored and controlled by the colleges.

The process of convergence was also a factor in the financial and competitive pressures on colleges. The funding allocation statistics published by the FEFC each year included an ALF figure for each college. The Council established target ALF figures for the sector in general from time to time with the objective of all colleges moving to a uniform ALF in due course. This was the process by which the FEFC attempted to resolve the legacy it had inherited of very different average levels of funding in different local authorities. In the case of most colleges convergence meant that their funding level decreased year by year as they attempted to lower their ALF. This was aggravated by the fact that extra units were funded at a lower rate than the average. Full-time equivalent student numbers (FTEs) were replaced by the FEFC by 'units of activity' based on a three stage process of 'entry', 'on-programme' 'achievement'. The bulk of units were earned 'on-programme' while extra units could be earned by additional learning support. The research by Leney et al (1998), which is discussed further in Chapter 3, showed that the effect of the FEFC funding mechanism was to accentuate the divide in the sector between high and low Average Level of Funding colleges. They argued that incorporation was an attempt at modernisation through the application of a national framework of

funding and that, although there were governors of the college corporations, the real line of accountability was to the FEFC.

The funding emphasis on high growth and efficiency savings was reduced in 1997/98 by the withdrawal of the 'demand-led' element which had provided extra funds for achieving predicted growth and efficiency targets. This *"marked the beginning of the end of the policies on which incorporation had been founded: competition, the unplanned dash for growth and differential pricing"* (McDonald and Lucas, 2000, p 272) This fall in funding was partly filled by increased funding in 1998/99, while at the same time there was an attempt to replace competition with greater co-operation between institutions, although McDonald and Lucas found that it was still fierce.

The relationship between the colleges and the DfEE and Parliament became much more direct than it had been when they were under local authority control This is illustrated in the diagram below, **Figure 1.7 "The bodies involved in Further Education"** (based on the Comptroller and Auditor General, 1997c, p 8). The position of other college stakeholders was changed as a result of incorporation. While college students and staff remained stakeholders, in that they retained an interest in the development and future of the college, they were not necessarily directly represented on governing bodies.



The local authorities were removed as direct stakeholders so that their legal relationship with local colleges became the same as their relationship with other independent organisations, while college services competed with local authority educational provision. The actual relationship between local authorities and colleges depended as has already been suggested on their joint history, and also on the relative agreement or hostility over the shift of powers and property from the LEA to the colleges at incorporation and on the development of post-incorporation links between the two organisations.

Figure 1.7 (Comptroller and Auditor General, 1997c) illustrates the link between Parliament, the Department of Education and Employment, the FEFC and the colleges and indicates the importance of the FEFC, acting on behalf of Parliament, as a college stakeholder. On the one hand the flow of funding was down from Parliament through the Department for Education and Employment to the Further Education Funding Council, from which funding was distributed to colleges on the basis of their actual and target unit numbers. On the other hand accountability flowed upwards from the institutions through the FEFC to the Department and to Parliament. Accountability was achieved by the colleges through the FEFC inspection programme, the strategic plans required by the FEFC and through the annual negotiation between the individual college and the FEFC on its units of funding. Although colleges were responsible to other stakeholders, the accountability built into the structure of the Further Education Sector emphasised the importance of the Funding Council.

Local employers became more important stakeholders as a result of incorporation, because they dominated the new governing bodies while retaining their traditional role of providing day release students for the colleges, buying training programmes from the colleges and employing college students when they had completed their qualifications. Also the objective of making colleges 'more business-like' meant that the advice of business members of the governing bodies became more important. These changes also meant that senior managers faced profound changes at the time of incorporation. The principal became the chief executive of the corporation with responsibility for its good management to the board of governors and the FEFC. The other members of the governing body were all part-time and voluntary members of the corporation even if they represented the college staff or students. The chief executive became the only full-time paid member of the corporation with a considerable responsibility for its conduct. This included the corporation finances, its personnel policies, and its buildings as well as the products and services it offered. The main offering, the curriculum programme and its administration was where the expertise of most principals lay, because they had been promoted through the ranks of lecturers in further education.

There was an important management role for principals prior to incorporation, but it had been under the overall control and responsibility of the local authority. The changes brought about by the 1988 and 1992 Acts meant that principals assumed the full role of a chief executive with all the powers and responsibilities that this role implied including the development and ultimately, given the responsibilities of the FEFC for funding further education, the survival of the college. In the early 1990s many colleges appointed specialists in areas such as finance and personnel in order

to support senior management in these functions and at the same time, or soon after incorporation, the organisational structure of colleges was reviewed. In a number of cases since incorporation, where colleges have had financial difficulties it was as much the principal who was called to account by the FEFC as the rest of the governing body.

Since incorporation a number of colleges have been reported to have had difficulties which have caused the FEFC to become involved in one way or another. For example Melton Mowbray College where the principal left on 'long-term leave' and an FEFC approved 'consultant' was appointed as acting principal (THES, Jan 28 2000 p 4), and Cricklade College (Guardian Education, 20 June 2000 p 49) where the principal was 'suspended' before resigning. While on the one hand colleges received funding from the FEFC, on the other they were accountable to the FEFC for good management and financial probity. In order to be successful colleges had to cope with the changes they faced in ways which would enable them to survive without creating the difficulties such as those which developed in these examples. While issues, such as the recruitment, achievement and retention of students, could be followed up in an FEFC inspection, these were also financial issues effecting the number of funding units a college could claim and the size of the FEFC fund a college received. It was financial problems which could be followed by the direct intervention of the FEFC. This greatly increased the importance of the management skills of senior college managers and their ability to provide both day-to-day management and strategic management for their colleges to cope with the demands of strategic change.

A further result of incorporation was the loss of the college 'catchment' area, a geographical area over which each college had an element of monopoly in terms of recruiting students. This usually coincided with the boundaries of the local authority or an area within this. This process was supported by the financial structure of local authorities who could refuse financial support for students who crossed boundaries because this could lead to a transfer of funds to other authorities, under a process called 'recoupment'. This arrangement had reduced competition between colleges although it was not a watertight system. There was competition between colleges and school sixth-forms, private trainers and other post-16 providers of education and training. The introduction of college corporations meant that this system of catchment areas and recoupment payments broke down entirely and competition between colleges became much stronger, as well as their competition with schools which increased once LEA control over colleges was removed.

1.4 Strategic planning in the further education colleges

At the time of incorporation colleges were required to demonstrate that they had a strategic plan (FEFC 1992b and 1994a) which included a three-year financial forecast. Colleges had to have a 'College Charter' which answered to the needs of the students, the employers and the community; and a 'learner agreement' signed by each individual student which recorded student aspirations and learning outcomes. There were also a range of mechanisms of accountability including student record systems giving regular returns on all students, internal and external auditors, FEFC audit checks as well as checks from the National Audit Office and EU auditors if they were in receipt of European funding. Colleges had experienced the need to produce strategic plans prior to the 1990s. In the 1980s the Manpower Services

Commission (MSC) demanded plans from colleges via their LEAs to justify the release of Work-Related Further Education (WRFE) funding. The objective of this process was to encourage colleges to provide for local labour market needs in terms of training in new technology, basic education and provision for the unemployed. The process provided experience for colleges in producing strategic plans in order to obtain a proportion of their funding. Other government initiatives channelled through the MSC and then the Training and Enterprise Councils (TECs) meant that colleges became used to a process of producing plans and proposals in order to obtain funding. The difference with the FEFC requirement was that its funding represented 70%-80% of most college budgets and the success of all colleges depended on obtaining a reasonable share of FEFC funds.

Until 1988 and to an extent up to 1993, the strategic positioning of colleges was determined by their LEAs rather than by individual colleges. The link between planned provision in colleges and their funding was quite loose in many areas, with planning on an annual cycle closely linked to LEA priorities. Although there was a connection between the number of students a college provided for and its funding, this varied between local authorities. College budgets were a part of the overall local authority budget, so that reductions in the LA budget usually meant a reduction in the college budget irrespective of the demand for its services and the College's ability to meet the demands of potential students depended on resources being made available by the local authority. Some LEAs had encouraged their colleges to provide advanced or higher education provision, while others insisted that their colleges provided non-advanced vocational courses that were not provided by the schools in the LEA area. The inclusion of colleges in the overall financial

position of the local authorities meant that their future was assured providing they retained the support of their local authority, while on the other hand their ability to innovate and develop was limited to what their LEA would agree. Although colleges had elements of strategic planning in place before incorporation, in 1993 the FEFC required strategic plans from each college in order to justify funding.

“The strategic plan has a pivotal role in the management of a college. It is the route map which guides the college in its short and longer-term decisions, and provides the setting for the college’s operating plans. Most importantly, the plan is the culmination of a process, within the college, of analysis, testing, discussion, negotiation, persuasion and finally, agreement on the fundamental purpose and direction of the college.” (FEFC 1992a, p 21)

In order to secure funding and to ensure cost-effective use of resources, colleges were expected to base the planning of provision on (a) their ability to identify the education and training needs in their area, to establish a mission for the college and organise and co-ordinate their resources, (b) an acknowledgement of the ‘signals’ given to colleges by government, the Funding Council and others as to any national or local priorities which colleges were encouraged to deliver, and (c) their confidence to devote efforts and resources to planning medium and long-term changes, either to respond to new demands or restructure their provision to increase effectiveness and efficiency in delivery. The FEFC saw strategic planning as:

- providing a basis for effective college management
- providing a context for the development and deployment of college staff
- establishing a mechanism for colleges to develop and review their work with individuals and employers in their local communities to ensure

responsiveness

- assisting the Funding Council in understanding colleges' aims and objectives and the context for funding proposals
- setting a context for external college inspection and internal quality review
- allowing the Funding Council to fulfil their duty to ensure sufficient and adequate post-16 provision.

In 1994 colleges were required to secure agreement for their strategic plans by consulting their local TEC to discuss how planned provision could be linked effectively to labour market and student needs (FEFC 1994a). The procedure was intended to develop *“effective consultation between colleges and TECs so that TECs can be confident that colleges are addressing the principal skill needs in an area, and colleges can be reassured that they have the support of those speaking on behalf of employers”* (FEFC 1994a, p 4). Governors had a monitoring rather than directing role in strategic planning, with the FEFC indicating a significant formative, but essentially non-interventionist position for governors: *“Governors should establish a broad framework within which the college is to operate and develop... (their) concern will be expressed through the governing body's involvement in the consideration of and agreement of strategic plans.”* (FEFC 1994b, p 39 “Guide for College Governors”). This implied that strategic planning, even at policy level, was primarily a responsibility of management, although governors had to give their blessing to plans to be submitted to the FEFC, and were accountable for their financial consequences.

Under the FEFC funding regime colleges had to produce a three year strategic overview which was updated each year. These plans provided for *“the Council to*

receive information on estimated student enrolments in March and copies of colleges' updated strategic plans by the end of July" (FEFC 1994a, p 3). The plans were in two stages, the first setting out projected student enrolments by programme area with an indication of significant planned changes to their provision in the main curriculum areas that constituted the programme areas. The second stage was the full strategic plan including the college mission statement, a needs analysis, a risk analysis and a review of how far the college had achieved its objectives. The three-year overview had to include corporate objectives, an outline of provision in each broad programme area, staff planning and development, an accommodation strategy, responses to national issues and council initiatives, a description of college arrangements for quality assurance, a financial forecast and an operating statement. The needs analysis had to include an assessment of the demographic data and labour market information which had been considered, consultation with major bodies in the area, provision for those with learning difficulties and plans for collaborative arrangements with other institutions.

The risk analysis required each college to *"assess the impact on its plans of variations in external factors and combinations of factors"* (FEFC 1994c, p 8). This circular suggested that these factors could include changing local authority policies on discretionary awards and transport, the decline of major industries and competition from other providers. An FEFC analysis of strategic plans in their Eastern Region (FEFC 1997) showed that the main risk factors colleges identified as affecting the achievement of their strategic plans were competition from schools, local authority transport and discretionary awards, competition from colleges and sixth forms. Other risk factors were accommodation uncertainties, the inability to

secure growth funds from the FEFC, the 16-hour rule, the decline of higher education funding and financial difficulties faced by colleges. A comparison between the risk factors identified in 1994, 1995 and 1996 showed that local authority policies had become less important, while the combined competition form schools and colleges had remained at about the same importance.

A strategic planning framework was set out in a number of FEFC circulars and in the “Guide for College Governors” (FEFC 1994b, p 44). This was a formal process required by the FEFC in order for colleges to receive funding from it. The FEFC prescribed this strategic planning framework for colleges to include the college mission, a three to five year strategic plan covering target student numbers, levels of provision, the resources to be applied to these plans and finance. This had to be underpinned by planning for quality. The FEFC carried out an annual review, evaluating performance against implementation targets. While the strategic planning framework was prescribed for colleges, the FEFC did not see its role as an arbiter of the content or format of college plans. The Council’s objective was to understand each college’s intentions, it was not intended that Council approved or disapproved the plans developed by individual colleges. (FEFC 1992b).

“The strategic planning framework introduced by the Funding Council makes it clear that colleges’ strategic plans are owned by colleges. The Funding Council asks colleges to share their strategic plans with them but does not approve them. It is up to each college to determine its strategy. Since incorporation, a significant element of many colleges’ strategies has been to grow. This reflects colleges’ response to the incentives for growth contained in the funding methodology introduced by the Funding

Council from academic year 1994/95.”

(Comptroller and Auditor General 1997b, HC 259 pp 8 and 9)

In practice the FEFC used college strategic plans in the inspection system by judging colleges against these plans and has influenced the plans in other ways. The funding mechanism has been one way that the FEFC has exerted this influence. For example, the variable rate of funding for additional units of activity has depended on their actual average funding level (ALF), so that in 1997-98 those colleges with a low ALF received fifteen pounds per unit, while those with a high ALF received under thirteen pounds per unit (FEFC 1996). This meant that for colleges to expand they either had to achieve a relatively low ALF or manage with relatively low funding for extra activity. Also the FEFC monitored college finances and categorised them into three groups: (a) those who had sufficiently robust finances to implement their strategic plans, (b) those who showed some financial weaknesses which could limit their ability to implement their plan and (c) those who were financially weak (Comptroller and Auditor General 1997b). Between 1994 and 1996 the proportion of colleges in the lowest category rose from 6% to 19% and these colleges which were ‘at risk’ had their strategic plans closely scrutinised by the FEFC and in some cases had FEFC consultants involved in producing these plans (Comptroller and Auditor General 1997, p 69).

1.5 “Learning to Succeed: a new framework for post-16 learning”

The incorporation of colleges brought about dramatic reform to the further education sector in 1993 which required them to cope with strategic change. The development of the sector in the twenty-first century was considered by Green and

Lucas (1999) in terms of lifelong learning and six years after the incorporation of colleges, what might prove to be an equally dramatic change was proposed in the White Paper "Learning to Succeed" (June 1999). *"The world of further education is once again poised on the brink of momentous change. The past five years may have witnessed dramatic transformation, but the next few promise even more radical reforms."* (Midgley 1999, FE Focus p V) The White Paper (1999), and the passage of the Learning and Skills Bill through parliament in 2000, has heralded the imminent demise of the FEFC and the TECs and the arrival of the Learning and Skills Council in the year 2001.

"In the six years since incorporation, further education colleges have done a tremendous job attracting new learners, with student numbers rising to just under four million from 2.4 million in 1989. Even with the 30% efficiency cuts since 1993, FE now educates more 16 to 18 year olds than schools, provides education and training for 3.5 million adults, delivers 40% of entrants to higher education and is the first choice for training for half of all employers." (Midgley 1999, FE Focus p V).

The Association of Colleges has suggested (Midgley 1999) that the further education sector will move under the present system from providing for student numbers of nearly four million in 1999 to almost five million students by 2002, while Smithers and Robinson (2000) considered the effects of the reforms heralded by the White Paper. The White Paper outlined why change was felt to be necessary:

"Whilst significant progress has already been made, we are still a long way from achieving our vision of a learning society. Too many people are excluded from the benefits that learning can bring. Aspirations and staying on rates remain low. The system fails a significant section of the community, often the

most vulnerable. People with low skills and poor qualifications are locked in a cycle of disadvantage. We must also make education and training more relevant and accessible to both individuals and employers. And people need better advice and support and more flexible ways of learning. There are also too many providers where the quality is not up to scratch and where success rates are therefore very poor.” (DfEE “Learning to Succeed”, 1999 pp 6)

The White Paper proposed the establishment of a Learning and Skills Council for England *“to drive forward improvements in standards and bring together coherence and responsiveness”* (DfEE 1999, p 8). Amongst a number of other responsibilities, the new Council would take over funding colleges from the FEFC from April 2001. *“We propose to build a new system of planning and funding post-16 education training that will overcome the complexity of the existing system and cut unnecessary layers of bureaucracy”* (DfEE 1999, p 8). The publication of this White Paper provides a useful boundary point for this research concentrating as it does on the changes to further education colleges created by another White Paper “Education and Training for the 21st Century” published in May 1991 and the subsequent Further and Higher Education Act of 1992.

In the six years between incorporation in April 1993 and the publication of the June 1999 White Paper, FE colleges have had to develop strategies to cope with their changing environment. The proposed changes in the further education sector in

2001 has brought the subject of the research into sharp relief. Future research on the same lines will make it possible for the conclusions of this research to be tested by the changing circumstances of colleges, so that as well as extending the research into wider areas of the sector, it will also be possible to compare the results with those of similar research projects in the future. This research also raises other avenues of enquiry such as the differences and similarities between public sector and private sector management, the importance of governance in the public sector, questions of management styles, leadership and professional training,, the issue of stakeholders in the public sector, organisational culture and of levels of consultation.

The development of further education can be summarised as in the following **Figure 1.8 ‘The development of further education’**. The expansion of the sector is indicated by the fact that two million students were enrolled in further education colleges in 1985 (in England and Wales) and this had risen to three million by 1994/95 (in England). Under incorporation enrolments increased by a further million by 1998/99.

Summary of the development of further education

Nineteenth century - technical and evening institutes

1821 - first formally constituted institute in Edinburgh

1856 - Royal Society of Arts founded

1879 - City and Guilds of London Institute founded

1944 - Education Act

- 1956 - "Technical Education" (White Paper)
- 1960s - Industrial training Boards established
- 1980 - "Competence and Competition" (NEDO)
- 1985 - Further Education Act
- 1985 - *two million students enrolled in further education*
- 1985 - "Obtaining better value from Further Education" (Audit Commission)
- 1988 - Education Reform Act
- 1989 - "Towards a Skills Revolution" (CBI)
- 1991- "Education and Training for the 21st Century" (White Paper)
- 1992 - Further and Higher Education Act
- 1992 - Further Education Funding Council (for England) formed
- 1993 - Incorporation of further education colleges
- 1994 - "Competitiveness: Helping Business to Win" (HMSO)
- 1994-95 - *three million students enrolled in further education*
- 1998-99 - *four million students enrolled in further education*
- 1999 - "Learning to Succeed: a new framework for post-16 learning"
- 2001 - Learning and Skills Council formed

Figure 1.8 The development of further education

The aim of this chapter has been to establish the subject and the objective of the research project and to provide the context in which the research has been carried out. The concentration has been on the changes that have taken place in further education in order to establish a clearly defined further education sector after 1993, a description of what was meant by the fact of colleges becoming incorporated bodies, the extent to which they were controlled by the FEFC, the requirements for

strategic planning and the move towards further change in the 21st Century. In order to consider strategic change against this background, a theoretical framework and conceptual model was developed (in Chapter 2) through a review of the literature. At the same time this review was extended beyond the consideration of strategy and strategic change to consider the methodology of the research process particularly in terms of educational research, research into further education and research into the issues identified in developing a theoretical framework (Chapter 3).

Chapter 2 Developing a Strategic Framework

2.1 A review of the literature

In order to establish a theoretical framework, the literature of strategy and strategic change was reviewed to consider their relevance to strategic change in further education. In Chapter 1 there is a description of the development of the further education sector and the strategic changes that have occurred in further education in the 1990s. An investigation was carried out into the research that has been carried out into the management of further education and also into research methods, particularly in business, management, education and the social sciences, in order to consider the methods appropriate to achieve the objectives of this research; this is discussed in Chapter 3. The review of literature continued throughout the duration of the research in order to keep up-to-date with the current state of knowledge in these areas.

The review considered the various strands in the literature which could contribute to the formulation of the research propositions and objectives to arrive at a conceptual model as well as providing a guide to decisions in relation to the research process. A variety of views of the meaning of 'strategy' were explored along with the importance of strategic change for organisations and the influence of organisational culture on both strategy and strategic change. The extent to which arguments in relation to private sector strategy and strategic change could be applied to the public sector is discussed in order to provide a framework against which developments in further education could be judged. The development of an appropriate analytic framework for the study of public sector

change has been identified by Pollitt (1993) and by Lawton and McKevitt (1995) as an important deficiency in the public sector literature. Pollitt examined a range of alternative models before arguing that Pettigrew (1985) offered a coherent framework for the analysis of change in the public sector. In this research project a number of models of strategic change have been considered, including Pettigrew's framework, to arrive at models against which the results of the research could be compared

2.2 Strategy

The literature review produced a number of definitions of the term 'strategy' as it applies to organisations. Dictionary definitions tended to concentrate on the military aspect of the word, for example: "*generalship, or the art of conducting a campaign and manoeuvring an army*" (Chambers 1992, p 1077), although this entry did continue to describe 'strategy' as "*any long-term plan*" and a "*strategic position*" as "*a position that gives its holder a decisive advantage*". The latter descriptions are closer to organisational definitions, such as those discussed by Drucker (1961) and Ansoff (1969) who described corporate strategy in terms of the major objectives of an organisation and the policies and plans it has to achieve these and in terms of the future direction of an organisation considered against the resources possessed by it. More recently, in his article "What is Strategy?" Porter (1996) came to the conclusion that "*strategy is creating fit among a company's activities*" (p 75) and the success of a strategy depended on "*doing many things well - not just a few - and integrating among them.*" (p 75). He continued that "*if there is no fit among activities, there is no distinctive strategy and little sustainability*" (p 75).

Johnson and Scholes (1999) defined strategy as *“the direction and scope of an organisation over the long term: which achieves advantage for the organisation through its configuration of resources within a changing environment to meet the needs of markets and to fulfil stakeholder expectations”* (p 10). Pettigrew and Whipp (1991) have described strategy as a complex process better understood on the incremental and interpretive perspective rather than the linear rationalistic approach. They saw a rationalistic view of strategy as one in which it is seen as the outcome of a sequential, planned search for optional solutions to defined problems, the implementation following on from the decisions made about such problems. They considered the interpretive perspective as one in which strategy is seen as the product of individual or collective sense making, while the incremental view evolves around one step being added to the previous one. In their study of private sector firms, Pettigrew and Whipp (1991) found that in order to achieve competitive success the higher performing firms were characterised by a number of key features. These included environmental assessment so that strategy creation emerged from the way in which a company, at various levels, acquired, interpreted and processed information about its environment. Another key feature was leadership which was highly context-sensitive, that is clearly relating to the context facing the firm and involving action by people at every level of the organisation.

Generic approaches to strategy have been identified by Whittington (1993) as the classical, the evolutionary, the processualist and the systematic. While the classical approach was felt to rely on rational planning methods, the evolutionary

approach drew on biological evolution as a metaphor for market conditions. The processualist emphasis was pragmatic, accommodating strategy to both organisations and markets, while the systematic approach could be described as relativistic in linking strategy to the culture of the local social system in which it took place. Classical and evolutionary approaches emphasised profit-maximisation as the natural outcome of strategy, while the systematic and processual approaches saw other possible outcomes as well as profit. Classical and systematic approaches have suggested that strategy could be deliberate, while evolutionary and processualist approaches saw strategy as emerging from processes governed by chance and confusion.

While these were ways of distinguishing between these four approaches, Whittington considered that the actual position of the four approaches could be less clear-cut than this suggested, so that the differences between these generic approaches to strategy could be seen as largely in terms of emphasis. The classical approach stressed rationality and analysis so that strategists could make choices which influenced outcomes. Jones (1997) argued that this could lead to deliberate styles of strategy based in a few expert hands. The evolutionary approach stressed the unpredictability of the environment, so that strategists were almost powerless because of the largely uncontrollable and to some extent unknowable forces they faced. The processual approach suggested a pragmatic view of strategy in that the strategists knowledge was imperfect and this had to be taken into account by organisations in developing strategy.

Systematic approaches stressed the importance of social systems within which attitudes to and the conceptualisation of strategy occurred, so that strategy could reflect the social system in which it developed. This could lead to an interest in different styles of strategy in different cultures and to an understanding of the need to work with these differences. This approach like the classical and processual approaches presumed that strategists could make choices which influenced the outcome of events, while the evolutionary or ecological approach suggested that this was not the case. This could lead to the conclusion that the evolutionary approach pointed to the futility of strategic development or it could be argued that it stressed the short-term nature of a strategic approach and the advantages that this may produce (Rumelt et al 1991)

Differences between these generic approaches emphasise the continuing debate about the nature of strategy and its relevance to organisations. Mintzberg (1990a, 1990b, 1991) and his processual views, for example, opposed the classical approach of Ansoff (1965, 1991) and others on the grounds that it provided an over simple model of the process of strategy in achieving an essential fit between external threat and the opportunity and internal competence. However, as Jones (1997) has suggested many researchers agree about the positive value of strategic management although social scientists see management as a wide social phenomenon whose benefits could not be automatically assumed. The occupation and power of managers and strategists can be seen (Knights and Morgan 1991) as socially constructed: *“Strategy does not simply respond to pre-existing problems. In the process of its formulation, strategy is actively involved in the constitution, or re-definition, of problems in advance of offering itself as a solution to them”* (p

270). The literature of strategy provides a range of views about strategy based on varying assumptions about the processes and outcomes.

Bryson (1995) defined a strategy *“as a pattern of purposes, policies, programmes, actions, decisions or resource allocations that define what an organisation is, what it does, and why it does it”* (p 32). He argued that effective strategy formulation and implementation linked rhetoric, choices, actions and consequences into reasonably coherent and consistent patterns. *“They are tailored to fit an organisation's culture, even if the purpose of the strategy or strategies is to reconfigure that culture in some way”* (p 33). Organisational culture itself has been the subject of discussion with different views about it apparent in the literature. Meek (1988) has suggested that *“there has been a tendency for some researchers to treat organisational culture as a ‘variable’ that can be controlled and manipulated like any other organisation variable”* (p 278). Meek argues that culture as a whole cannot be manipulated because it is something which the organisation ‘is’, not something that an organisation ‘has’. This emphasises the view that culture is not an independent variable, nor can it be created, discovered or destroyed by the efforts of managers although some are in a better position to attempt to intentionally influence aspects of it.

Although there is not one accepted view of the meaning of ‘strategy’ in terms of private or public sector organisations the various discussions of it do point towards processes and activities in organisations to insure their survival and success. Porter (1996) came to the conclusion that strategy consisted of creating a ‘fit’ among an organisation’s activities. Mintzberg (1989) and Pascale (1991) both

argued that the harmony, consistency and fit achieved by an organisation that reaches a viable configuration or 'fit' with its environment, was at one and the same time its strength and its downfall. They argued that the tendency for companies in this position was to concentrate on doing better what they already did well, so that their strategies became ones of repetition and excess with the result that they become over-adapted to their environment and, when that environment changed, they had great difficulty in changing. They discussed 'contingency theories' arguing that success could be achieved when an organisation secured a good match between its situation and its strategies and structures. For example, mechanistic bureaucracies could be said to be appropriate for stable environments, but flexible, organic structures were required for environments which were unstable.

They saw 'contingency' in terms of consistency and congruence involving a large number of different combinations of strategies to suit particular environments and particular sets of objectives at a particular time. In the concept of 'configuration' they tried to identify a relatively small number of typical combinations of strategies and structures into which most organisations could be classified. This concept also suggested that there were only a limited number of possible combinations which would be successful in a particular environment. Organisations which were well adapted to their environment would survive, while those which were less well adapted would not. In effect, the environment selected out various common combinations of organisational attributes, and success came from a convergence on a viable configuration. Peters and Waterman (1982) introduced the 7S framework to indicate how the success or otherwise of an

organisation followed from a configuration of seven attributes that were all interconnected. The seven attributes of strategy, structure, systems, style, staff, skills and subordinate goals, had to fit together and be consistent with each other for an organisation to be successful.

Pascale (1991), has carried this analysis further in suggesting that successful organisations were characterised by a paradox. On one hand they had to achieve 'fit', coherence, tight central control and fit between the 7Ss, and they also needed 'split', breaking apart, decentralisation, variety and rivalry. They required split in order to develop new perspectives and innovative actions, by shattering old paradigms and changing old structures. Pascale argued that fit and split created tension which provoked inquiry and questioning and created a learning organisation which maintained continual dialogue between contradicting points of view. This was dialogue rather than argument and provided a clash of opposites enabling the organisation to 'transcend' to a new constellation of fit and split. Pascale emphasised the need to preserve the tension within an organisation rather than move to a stable equilibrium.

The idea of strategy as a process of linking rhetoric, choices and action into a coherent and consistent pattern and creating a 'fit' between an organisation's activities and its environment has relevance to the situation in further education in the 1990s as colleges attempted to adapt to their new environment created by government policy and legislation. In order to survive and to be successful colleges had to create a fit between their internal structures, strategies and activities and the new environment which followed incorporation. However,

Hamel and Prahalad (1989), questioned the idea of 'fit' and the view that successful organisations adapt to their environment. In their study of successful companies (including Honda, Komatsu and Canon) as against the less successful ones (General Motors, Caterpillar and Xerox), they found that a distinguishing factor was the different models of strategy guiding their respective actions. They observed that less successful companies follow the conventional approach to maintaining strategic fit leading to a trimming of ambitions to those that could be met by available resources. Such companies were concerned mainly with product-market units rather than core competencies. Consistency was preserved through requiring conformity in behaviour and a focus on achieving financial objectives. On the other hand, successful companies focused on leveraging resources, that was using what they had in new and innovative ways in order to reach new goals. The main concern of these companies was to use their resources in challenging and stretching ways to build up a number of core competencies. Consistency was maintained by all sharing a central strategic intent, accelerated by organisational learning, recognising that competitive advantages are not inherently sustainable. Managers used the resources they had to create requirements of the environment which they could not meet, they pushed to achieve stretching goals and they aimed to continually renew and transform their organisation.

Hamel and Prahalad (1993) expanded these ideas in supporting the idea that organisational success arose from organisation-wide intention, or strategic intent, which was based on a challenging shared vision of the future leadership position of the organisation, on an obsession for winning which was not secured by long-term plans but by achieving a broad, stretching and challenging intention to build

core competencies (also in Hamel and Prahalad 1990). Hamel and Prahalad (1993) distinguished a smaller developing company from a large established one. They argued that it was not the smaller resource base that made a difference between the two companies, but the greater gap that existed between the resource base and the aspirations of the company. This gap they referred to as 'stretch', so that the problem of large, established companies was not a lack of resources, but insufficient ambition, a lack of stretch in their aspirations. They suggested that companies such as CNN, Sony, Glaxo and Honda were more united by the unreasonableness of their ambitions and their creativity in getting the most from the least than from any cultural or institutional heritage. They suggested that creating stretch was the single most important task of senior management and that this stretch produced a view of competition as encirclement rather than confrontation, an accelerated product-development cycle, tightly knit cross-functional teams, a focus on a few core competencies, strategic alliances with suppliers, and programmes of employee involvement and consensus.

In the search for less resource intensive ways to achieve ambitious objectives, 'leveraging' resources provided a very different approach from downsizing and delayering, restructuring and retrenchment. Hamel and Prahalad (1993) argued that resources leverage was essentially energising, while downsizing was essentially demoralising. Management could leverage resources by concentrating them more effectively on key strategic goals, accumulating them more effectively, complementing one kind of resource with another to create higher order value, conserving resources wherever possible and recovering them from the marketplace in the shortest possible time. They argued that leverage required a

strategic focal point, or strategic intent, on which the efforts of individuals, functions and businesses could converge over time. Without this approach resources could be squandered on competing projects, priorities shifted constantly and potentially good ideas might be abandoned prematurely. Convergence required an intent that was sufficiently precise to guide decisions and so prevent the dilution of resources so that the company became a laggard in every critical performance area.

This approach to strategy by Hamel and Prahalad, suggested that the role of senior management was not so much to stake out the future of an organisation but to help accelerate the acquisition of market and industry knowledge. It was argued that risk would recede as knowledge grew, and as knowledge grew, so did the company's capacity to advance. The idea of strategy as stretch helped bridge the gap between those who saw strategy as a grand plan and those who saw strategy as a pattern in a stream of incremental decisions. On the one hand stretch suggested strategy by design, so that management had a clear view of the direction in which the organisation was moving; and on the other hand, stretch was strategy by incrementalism, in that top management cleared the path for leadership step by step.

The idea of strategy as 'stretch' questioned the idea of strategy as 'fit' by arguing that organisations that concentrated on strategic fit trimmed their ambitions to those that could be met by existing resources, while more successful companies focused on using their resources in challenging and stretching ways to build up core competencies. Hamel and Prahalad emphasised the importance of strategic

intent, of organisational learning and recognising that competitive advantages were not inherently sustainable. The varied backgrounds of further education colleges as they faced up to the challenges of incorporation meant that there were likely to be more and less successful strategic approaches, with some trimming their ambitions to match their existing resources and others looking for the achievement of new goals. In this process the role of senior managers in further education could be seen as not mainly to stake out the future of the college but to develop core competencies within the college so that it could successfully face up to future changes and challenges. As argued by Grant 1998 in Segal-Horn (ed) 1998, creating capabilities was not simply a matter of assembling a team of resources but involved complex patterns of co-ordination between people and between people and resources

2.3 Strategic 'competitive advantage'

Strategy has also been discussed in terms of positioning and competitive advantage. Porter (1996) argued that a company can outperform rivals only if it can establish a difference it can preserve. Operationally effective companies achieved more out of their inputs than others, eliminated waste, employed more advanced technology, motivated employees better and had greater insight into managing particular activities. For example, the Japanese challenge to Western companies in the 1980s arose because they could offer lower costs and superior quality. At the same time, Porter (1996) argued that while operational effectiveness was necessary to achieve superior profitability, it was not sufficient. Competitors could quickly imitate efficiency gains and competitive convergence could arise, which meant that imitation could cause strategies to converge, leading

to competitive wars of attrition. For example, Japanese companies had improved their operational effectiveness to a point where they had moved close to the 'productivity frontier' where the maximum value that a company delivering a particular product or service could create at a given cost, using the best available technologies, skills, management techniques and purchased inputs. They had approached this frontier without having other long-term strategies, so that they had let operational effectiveness supplant strategy.

Porter argued that *"strategy is the creation of a unique and valuable position, involving a different set of activities...activities that are different from rivals, or are similar activities carried out in different ways"* (p 68). He argued that the origins of strategic positions included variety-based positioning where a company produced a sub-set of products or services of an industry, needs-based positioning where a company served all or most of the needs of particular groups of customers and access-based positioning where a company segmented customers who were accessible in different ways. A sustainable strategic position required 'trade-offs' as a result of activities which were incompatible. For example, adding a service could not be achieved without adding to costs, so that trade-offs created the need for choices to be made and limited what a company offered, so that *"the essence of strategy is choosing what not to do"* (p 77).

Porter argued that improving operational effectiveness was a necessary part of management, but was not strategy because the operational agenda involved continual improvement but did not involve trade-offs. He argued that the operational agenda was the proper place for constant change, flexibility and

efforts to achieve best practice, while the strategic agenda was the place for defining a unique position, making clear trade-offs and tightening fit. It involved the continual search for ways to reinforce and extend the company's position. An organisation might have to change its strategy if there were major structural changes in its industry. *"In fact, new strategic positions often arise because of industry changes"* (p 78) and Porter's view was that an organisation's choice of a new position *"must be driven by the ability to find trade-offs and leverage a new system of complementary activities into a sustainable advantage"* (p 78).

In terms of further education, the sudden transition to corporate status and the removal of the local authority control meant that colleges were faced with a much more competitive situation than they had previously experienced. Whereas previously the future of a college was assured by its local authority and it would have a 'catchment' area in which students would be directed to enrol on that college's courses, under the new regime in order to survive and to be successful, colleges had to establish a strategic position in their markets and develop competitive advantages in the sense of providing different sets of activities from rivals or similar activities carried out in different ways.

Porter (1985) argued that there were three basic or generic strategies open to a business, which were cost leadership, differentiation and focus and that every business needed to choose one of these in order to compete in the market place and to gain sustainable competitive advantage. He argued that fundamentally there were only two sources of competitive advantage which were the differentiation of products and low costs (also discussed by Grant in Segal-Horn

1998). It was also possible for a business to target a broad market or to focus on a niche within the market. A cost leadership strategy placed the emphasis on cost reduction at every point in its processes, but did not necessarily imply a low price. In the public sector, where 'prices' might be fixed, the difference between the cost and the price could be reinvested. Differentiation occurred when the products of an organisation met the needs of some customers better than others and this theory assumed that the company was able to charge a higher price than the average. This could be difficult in the public sector. It might be easier for a public sector organisation to focus on developing products especially for a niche in the market. Further education colleges had limited control over the 'price' of the programmes they offered because of government regulations, but they could attempt to reduce costs and they could develop programmes especially for a niche in the market.

2.4 Styles of strategy

The literature review identified types and styles of strategy which helped to illuminate the development of strategy in organisations. For example, Mintzberg and Waters (1985) and Mintzberg (1994) discussed strategy in terms of whether it is 'planned', 'emergent' or 'imposed'. Strategy could be 'intended' in the sense that it indicated the desired strategic direction of the organisation which was deliberately formulated and planned by strategic managers. This 'deliberate' strategy was a systematic process of development and implementation, which did not necessarily explain how strategies were actually formed. 'Realised' strategy was the strategy an organisation was actually following in practice. There might be a difference between this and the intended or deliberate strategy because although it was planned it might not have been implemented. However good the

plan might have been, it might be decided by managers that it should not be put into effect, or alternatively there might be opposition to the strategy in the organisational culture which could mean that the plan was not put into effect in practice. Strategic managers had to take into account the cultural and political aspects of working in an organisation. The 'way of doing things' in any organisation was built up over a period of years and developed into a company culture and this had to be taken into account in the implementation of strategy otherwise it would remain unrealised. The same was true of the political aspects of an organisation, where if the power bases within the structure held, or felt to be held, by individuals and groups were undermined by a new strategy it would be opposed.

Mintzberg and Waters also felt that strategy could be 'imposed' on an organisation through, for example, by government legislation or regulation. Monopoly legislation could limit the ability of a company to merge with another one or environmental conditions could limit managers in a particular industry in the choice of strategy so that it had to follow a similar strategy to competing companies. They argued that the development of strategy was most clearly seen in the distinction between 'deliberate' and 'emergent' strategy. Emergent strategy developed over time as a result of incremental changes, while deliberate strategy was based on a plan. The strategy of further education colleges in the 1990s was clearly 'imposed' in the sense that the environment in which they were working was altered as a result of government policy and legislation, however colleges reacted differently to their new environment as a result of their history and development and the strategy introduced by the college leadership. All colleges

had a 'realised' strategy in the sense that they had an actual strategy that they were following in practice, although they did not necessarily all have an 'intended' strategy in terms of a desired strategic direction deliberately formulated and planned. At the same time the strategy of a college could 'emerge' over time, step by step as a result of the policies and action it followed.

Mintzberg and Waters (1985) distinguished a number of styles of strategy over and above planned, emergent and imposed. 'Entrepreneurial' strategies could be identified when an organisation was under the personal control of the leader and strategies flowed from the vision of the single leader. 'Ideological' strategies were the intended patterns in action expressed in collective beliefs and control was through indoctrination and socialisation. An 'umbrella' strategy was where leaders defined the overall targets and set the boundaries within which managers lower down actually formulated the content of the strategy. Control was exerted by monitoring achievement against target and behaviour against the boundaries. A 'process' strategy was where leaders controlled the process of strategy, for example the reporting structure, the planning timetable and the appointment of managers, and then left the content to those lower down. Control was exerted through keeping people to timetables and through allocating resources and exercising a final veto. 'Unconnected' strategies were where there was either no central intention or groups of people produced strategies in direct contradiction to central intentions. The organisation's strategy was a collection of unconnected strategies formed by groups within the organisation. 'Consensus' strategy arose where people in the organisation converged on a common theme through agreement with each other, without central managers directing them.

In discussing strategic planning and types and styles of strategy, Mintzberg (1994) argued that strategy could be seen in a number of ways. It could be seen as a 'plan' or a direction, setting a course of action into the future, "*a path to get from here to there*" (p 23); or it could be seen as a 'pattern', which was a consistency in behaviour over time. Strategy as a 'plan' which could be described as 'intended' strategy and strategy as a 'pattern' could be described as 'realised' strategy. At the same time strategy could also be seen as a 'position', that was the offering of particular products in particular markets, and as 'perspective' which was an organisation's way of doing things.

In all these views and arguments about strategy and its various meanings, it remains a fundamental concept for an organisation because the organisation's success depends on having the correct strategy. At the same time it was recognised (by Hamel and Prahalad, 1989 and 1993, Caves 1984, Barney 1986, Porter 1990) that competitive advantages were not inherently sustainable and that organisation's had to cope with strategic change. This was the case with further education in the 1990s when strategic change was imposed on colleges as a result of government policy. The new further education sector that was formed as a result of the 1992 Act could be viewed as a whole in terms of an 'umbrella' strategy, where the Further Education Funding Council (FEFC) defined the overall targets in terms of efficiency and expansion and exerted control by monitoring achievement against targets, leaving the individual colleges to formulate their own strategy within these boundaries.

2.5 Strategic change

Strategic change can be seen as arising when a new strategy is required in order to ensure the success of an organisation, while operational strategies have been defined by Johnson and Scholes (1999) as those which “*are concerned with how the component parts of the organisation in terms of resources, processes, people and their skills effectively deliver the corporate and business level strategic direction*” (p 13). Lewin (1951) argued that for one reason or another a period of relative equilibrium or stability in an organisation’s situation is disrupted. Some ‘trigger’ or ‘driver’ results in change to an industry, or market, or sector or organisation. These influences on change have been summarised (Cartwright 2001) in terms factors which as they change alter the environment in which an organisation is working. These were the political, economic, social, technological, legal and environmental factors (to which could be added, cultural, aesthetic, customer and sectoral factors) which taken in their widest meanings and in a variety of combinations could influence the future of an organisation. The 1992 Further and Higher Education Act was a trigger or driver causing change in further education and there was a reflection of the difficulties facing colleges in Lewin’s forces for change and forces against change. This was a strategic change rather than an operational change, because a new strategy was required in order to ensure the success of colleges.

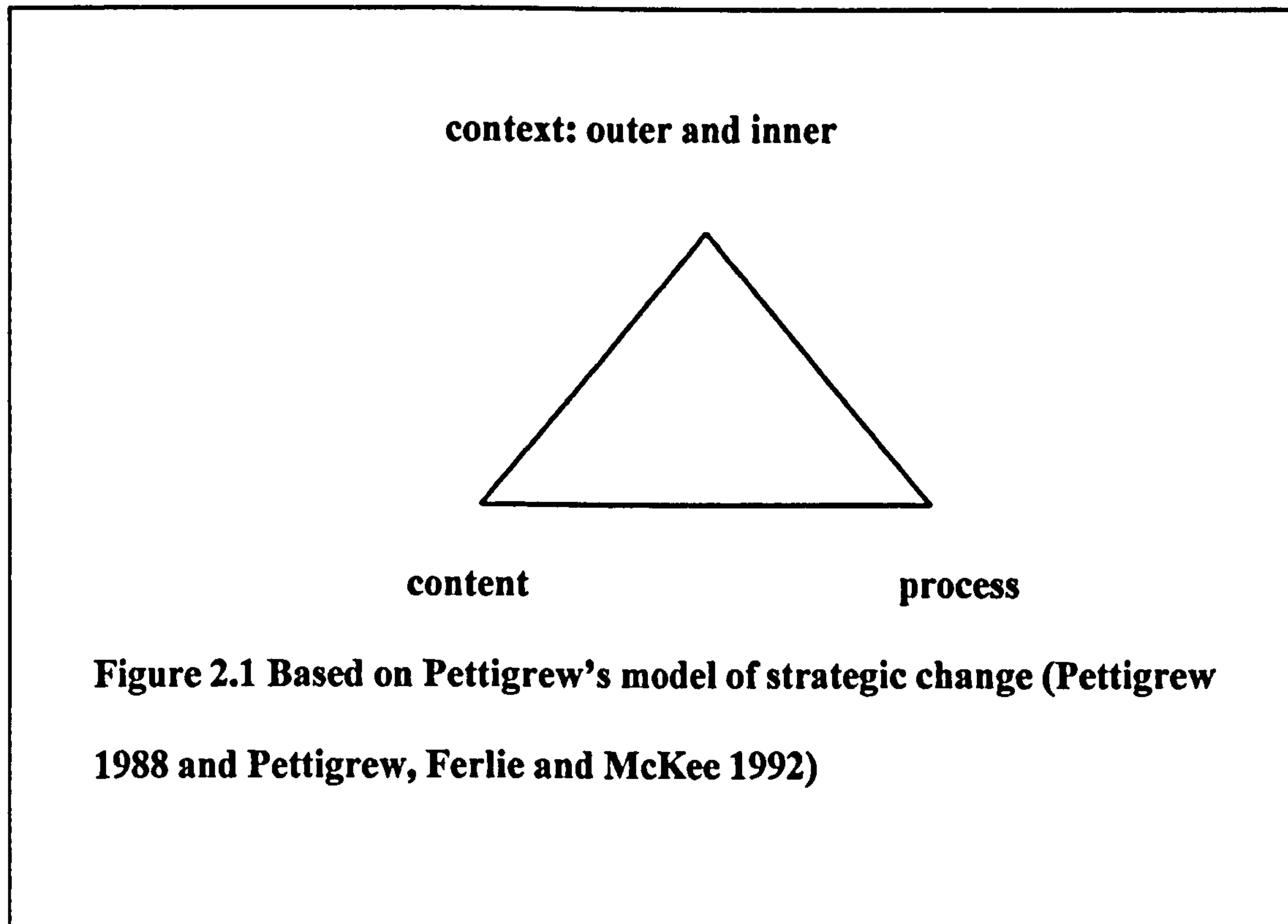
Lewin (1951) and Schein (1992) argued that forces for change included new technology, better raw materials, management factors as well as competitive pressures, while forces for maintaining the status quo included a fear of change,

complacency and well-learned skills. At the beginning of a period of change, the organisation could be said to be in a state of equilibrium which meant that the forces driving for change and forces for resisting change just balanced each other. Some trigger would upset this equilibrium, or 'unfreeze' it as the result of an environmental change which would cause internal change and unbalance the forcefield. Once a new equilibrium had been identified, there was an 'refreezing' as people were converted and persuaded to accept the new situation so that the organisation can return once more to the harmony and stability of a shared culture. Lewin suggested that if the organisation was to survive, this new equilibrium had to be one that was more appropriate than the previous one to the changed environment in which the organisation was operating. There should be a feedback loop that would keep the organisation adapted to its environment if it functioned effectively and if organisational processes were based on a plan to strengthen the driving forces for change to match the environment and to weaken the blocking forces.

Schein (1992) argued that the style of change leadership depended on the stage of organisational development, so that during the founding of an organisation and its early growth, incremental change occurs through normal change patterns with a tendency to preserve and enhance existing culture in the sense that the perception of managers was developed rather than transformed. In a more established organisation change may occur through organisational development with a deliberate attempt to encourage organisational learning by designing the internal context to enhance learning and build on success. In maturity an organisation could have a feeling of decline or strategic drift so that

change would be dramatic, people who clung to the old ways might be forced out and outsiders might be brought into the organisation. Schein (1992) felt that the appropriate style of change was contingent on the magnitude of the change, the fit of the organisation to its environment, the time available and the support for change in the organisation. At the same time the change mechanisms open to managers depended on the stage of growth of the organisation.

In producing their framework for analysing strategic change in the public sector, Pettigrew (1985) and Pettigrew and Whipp (1991) considered that managing strategic change required over time the management of the content, process and context of change. The outer context consisted of the environment of change the economic, social, political and other external factors which effected, in this case, colleges of further education. The process of change was seen in terms of the interaction of the stakeholders involved in change and the content referred to the particular area of the organisation undergoing change. Pettigrew (1988) and Pettigrew, McKee and Ferlie (1992) argued that the 'what' of change was captured under the label of 'content', the 'why' of change was derived from an analysis of the inner and outer 'context', while the 'how' of change was derived from the analysis of 'process', that was the actions and reactions of the various stakeholders as they sought to move the organisation from its present to its future state. These three classes of variables could all be seen as three sides of a triangle involved in the process of strategic change:



Pettigrew (1988) and Pettigrew, Ferlie and McKee (1992) saw strategic change as occurring in a context and as a result of pressures on an organisation which were either external or internal or both, and which could not be divorced from the structure and culture of an organisation and the sector in which it worked. The outer context was seen as referring to the broad environment, containing social, economic and political factors in which the organisation operated. By the inner context they were referring to organisational structure and resources, organisational culture and politics. These set the broad organisational context within which change occurred and could offer reasons as to why the change occurred. The question was then one of what changes took place or needed to take place in terms of organisational structure and culture, the content of strategic change. How the change took place would depend on the strategic plan

introduced by the organisation, which was the process of balancing the organisation's performance requirements with its capability to respond (Lavery and Hume, 1991). The performance requirement depended on where the organisation was going as determined by external change, customer needs and other priorities. The capability to respond was determined by the people, resources, finance, land, buildings and the information the organisation had at its disposal, along with its structures and processes, values and attitudes.

In 1980 Quinn identified a pattern of strategic change referred to as 'logical incrementalism' in which managers had an intended destination for their organisation, but they discovered how to reach it by taking logically connected decisions step by step. They did not make major changes but built incrementally in a consistent manner on what they already had. In 1989 Mintzberg argued that managers resisted change that conflicted with their predominant way of understanding their organisation and its environment, until some crisis made it impossible to continue to do so. This could give rise to 'strategic drift', where the organisation was driven down the same path by its own momentum becoming more and more out of line with its own environment. When the drift has taken the organisation too far from its environment it made sudden revolutionary adjustments.

Pettigrew and Whipp (1991) argued that coherence in the management of strategic change was a feature of high performing firms. There had to be a coherence of purpose and belief among the senior management team even though individual styles and methods differed. There had to be a building of a climate of change,

with the organisation becoming an open learning system with senior managers able to manage a series of interrelated and emergent changes, often in parallel and in sequence. In their study of private sector firms they found that in order to achieve success the high performing firms were characterised by features such as environmental assessment so that strategy creation emerged from the way in which a company, at various levels, acquired, interpreted and processed information about its environment. Another key feature was leadership which was highly context-sensitive, so that it was clearly relating to the context facing the firm and involving action by people at every level of the organisation.

The 'context' of change for further education colleges in the 1990s (particularly the external context) was the structure established by the 1992 Act. Although there were other pressures on colleges at that time, such as government economic policies, changes in technology and alterations to the curriculum, these were not important factors in strategic change compared to the effects of incorporation. The internal or inner context varied between individual institutions depending on their previous development and situation, their cultures and their structures. The 'content' of the strategic change in colleges and the 'process' of change also varied between the individual institutions depending on the situation they found themselves in at incorporation and the policies they followed..

2.6 Strategic change and organisational culture

Meek (1988) noted that the concept of organisational culture could be "*a powerful analytical tool in the analysis and interpretation of human action within complex organisations*" or it could be misused "*to reify the social reality of organisational*

life” (p 266). There was the view (in Smircich 1983, Morgan 1980, Wacker 1981) that culture was something an ‘organisation is’ while in some studies of culture there was a presumption that collective organisational culture could be created, measured and manipulated in order to enhance organisational effectiveness (Schwartz and Davis 1981, Deal and Kennedy 1982, Peters and Waterman 1982). Meek (1988) argued that those intent upon creating a healthy and successful corporate climate might concentrate on ‘what is’ in the pursuit of ‘what should be’, while corporate success could be more dependent upon external environmental influences of the market-place than on internal interpersonal dynamics. *“The assumption that a corporate culture can be created so as to unite members for the effective and efficient attainment of corporate goals flies in the face of almost everyone’s experience of organisational life”* (p 271). Organisations were not one homogeneous culture he argued but multicultural and this could be a source of conflict, most obviously in professional organisations such as tertiary education institutions. Academics tended to have a greater allegiance to their profession than their institution and this could produce a conflict between the interests of the individual and the management of the institution. However, Meek argued that there was a successful ‘feel’ about a successful organisation and the difference between them and not so successful organisations went beyond explanations based on superior technology, efficient management and an advantageous position in the market.

Handy (1993) classified organisational cultures as ‘power’, ‘role’, ‘task’ and ‘person’. A power culture typically contrasted powerful managers confident about their use of power and the political situation in which they worked, with a belief

in individuality and risk-taking. A role culture was identified as existing in an organisation where people specialised in particular roles, their functions were defined in a formal way and there was a shared belief in the importance of security and predictability. A task culture was found where people focused on their job or on a project and shared a belief in the importance of teamwork and expertise. A person culture existed where people believed that the organisation existed so that they could serve their own personal interests. Scholz (1987) divided organisational cultures into 'stable', 'reactive' anticipating', 'exploring' and 'creative'. A stable culture was one that was averse to risk, backward looking, 'introverted' and did not accept change, while a reactive culture was one where risks were accepted providing they were small, accepted only minimal change and was orientated to the present. An anticipating culture accepted familiar risks, was orientated to the present but accepted incremental change. An exploring culture was 'extroverted', orientated to the present and the future, operated on a risk against gain trade-off and accepted radical change. A creative culture was orientated to the future and actually preferred unfamiliar risks and sought novel change.

Organisational culture was considered to be an important element in organisational strategy and strategic change as a part of Pettigrew's model of the content of change and influencing the process of change. Peters and Waterman (1982) considered that organisations that were value-driven were likely to be most successful, while Deal and Kennedy (1982) thought that organisations which shared strong and cohesive cultures were more likely to be flexible and co-operative and that transformational leadership could be a sources of 'culture

busting' to bring about strategic change. While Pettigrew (1990) questioned to what extent cultures were in fact manageable because they were so embedded in organisations, Whipp et al (1989) suggested that while the elusiveness of corporate culture made it so hard to direct, at the same time its ubiquity across an organisation made it vital for effecting strategic change. They argued that if the capacity to carry out the changes which a given strategy implied hinged on the ability to manage the process involved within which it must occur, then corporate culture could make or break that capacity. These arguments highlighted the problems that could arise as a result of the 'business-like' approach introduced as a result of incorporation into colleges of further education as a likely point of conflict with the established public service culture of colleges.

Pettigrew and Whipp (1991) felt that cultural models of strategic change implied consideration of such topics as language systems, beliefs, symbols and organisational 'saga'. Pettigrew (1979, 1985) felt that shifting language systems, for example, were of interest because they provided order and coherence, describing cause-effect relationships in terms of confusion and transition, and because there might be competing language systems trying to define the same situation in different terms. Although approaches such as those of Peters and Waterman (1982) have been criticised on the grounds that many of their so-called 'excellent' firms have not continued to succeed, the literature review highlighted the situation that strategic change took place within a cultural framework which had to be taken into account in strategic management in spite of the difficulty of effecting it.

2.7 Strategic change in the public sector

The literature review identified that there were different views as to how far there was a difference between the private sector and the public sector, particularly in relation to strategic change. However with the changes that have occurred in the last two decades there was a view of a convergence of the two sectors, a blurring of the boundaries between them and a stress on their similarities. Lawton and Rose (1994), for example, suggest that *“opinions seems to be divided between those who argue that the public sector is unique and operates under different conditions than the private sector”* while *“more recently this conventional wisdom has been questioned, with writers stressing similarities and arguing that increasingly any differences between the two sectors are becoming blurred”* (p 6). They have identified a range of arguments that suggest the uniqueness of the public sector:

- public sector organisations are not exposed to the competitive world of the market and hence have no incentives to reduce costs or operate efficiently;
- objectives in the public sector are usually ill-defined and expressed in vague terms such as ‘serving the public’, ‘maintaining law and order’, ‘reducing inequality’ ‘reducing poverty’ or ‘improving health’;
- strategic planning is more difficult in the public sector because of the short-term considerations of politicians;
- the public sector organisation is susceptible to greater and more open accountability than the private sector with politicians, pressure

groups, taxpayers and voters all having an interest in its performance;

- the functions of the public sector are limited by statute;
- the public sector is funded by taxation and not by charging for its services;
- certain goods have to be provided by the state - defence, law and order and street lighting are consumed collectively for example, and in theory they are equally available to all. The provision of such 'public goods' cannot be left to the vagaries of the market

Lawton and Rose (1994) also noted that although there were these unique features of the public sector, there was the view that increasingly such distinctions have been blurred:

- increasingly the public sector charges for some of its services, for example through increased prescription charges or charges for leisure facilities;
- the private sector also operates within a political environment as decisions made by politicians to, for example on interest rates, have a profound effect upon the very existence of some firms faced with high borrowing costs and reduced sales;
- the activities of the private sector are also constrained by statute as firms are regulated over unfair trading practices, health and safety at work or environmental pollution;
- public and private partnerships have developed over urban redevelopment where groups have promoted private sector involvement at local levels.

Lawton and Rose (1994) conclude that *"it is often difficult to distinguish clearly between the two sectors and it may be more fruitful to examine organisation differences in terms of size, decision-making processes, structure and management style rather than concentrate upon which sector the organisation is in"* (p 7). The literature review shows that while there are differences between the two sectors, in terms of strategic change any organisation, in whatever sector, has to cope with its internal resources and external environment and to changes within this environment. Whether these changes are caused by market pressures or a legislative process, managers have to cope with the uncertainty of operating within a changing external context.

The development of further education colleges in the 1990s (outlined in Chapter 1) saw an increase in the exposure of colleges to competition and market forces, pressure from the Funding Council for colleges to define their objectives in more precise terms and to produce at least medium term (three-year) strategic plans, encouragement to increase links with the private sector and an increase in directly charging for services. On the other hand, colleges remained largely funded by taxation, with their functions limited by statute and with open accountability to a range of stakeholders. The further education colleges provide an example of the blurring of the distinction between the public and private sectors identified by Lawton and Rose (1994), Nutt and Backoff (1992) and Bryson (1995), while remaining clearly public sector organisations.

Ranson and Stewart (1994) argued that strategic management in the private sector focused on a firm's product/market mix, identifying the need for change to

improve its competitive position., while public sector organisations did not face market choices in this sense. They summarised Bryson (1988) in concluding that a strategic planning process applicable to public sector organisations needed to allow for the full range of strategic planning activities, from policy and direction setting through the monitoring of results, while private sector approaches might focus on different parts of such a complete procedure. The differences between the private and public sectors in terms of strategic management are also highlighted by Joyce (1999). *“There are many public service managers engaged in strategic management and yet there are few written sources of guidance and insight relating to the practical problems of public services strategic management. This stands in stark contrast to the situation of the practitioner in private sector strategic management.”* (Joyce 1999 p xi)

Pettigrew, Ferlie and Mckee (1992) argued that within the public sector there has been historically a greater emphasis on policy (content) rather than strategy (content plus process), although this had changed in many areas of the public sector as a result of the introduction of processes by which public sector organisations were exposed to ‘market forces’. In their research into the National Health Service they noted the importance of key people leading change and the need for planning, opportunism and the adroit timing of interventions. They considered that managers varied greatly in their ability to narrow the change agenda down to a set of key priorities and to insulate this core from constantly shifting short-term pressures. They noted that in both the public and the private sector that tremendous energy was required to effect cultural change and that the interface between managers and professionals was critical. In the health services

in the UK and the USA they noted that effective managerial, clinical relations were important in stimulating strategic change. Strategic change had become a priority in the public sector as legislation had devolved power and introduced competition, and clearly this was true of further education colleges after incorporation.

Bryson (1995) noted that *“leaders and managers of governments, public agencies of all sorts, non-profit organisations, and communities face difficult challenges in the years ahead”* (p 3) as a result of demographic changes, shifts in values, the privatisation of public services, the ‘interconnectedness’ of public, private and non-profit sectors, stakeholder activities and government policies. He argued that *“organisations that want to survive and prosper must respond to these changes. Their response may be to do what they have always done, only better; it may also involve important shifts in organisational focus and action”* (p 3). He pointed out that in the USA educational reform was promoted as a type of industrial policy, in order to help US firms cope more effectively with foreign competition. This was reflected in the developments in further education in the 1980s and 1990s in response to the development of government policy and such targets as established by the National Education and Training Targets. He illustrated the erosion of the boundary between the private and public sectors by providing examples of the dependence of one sector on the other. For example, government income taxes were collected by organisations, both private and public, withholding the pay of their employees and turning them over to the government; most weapons for the nations defence were produced in private sector companies; while the nations

health and education on which private industry relies was a public responsibility largely provided (in the UK) by public services.

Bryson (1995) argued that for public sector organisations as for those in the private sector, strategic planning promoted strategic thought and action, improved decision making and organisational responsiveness and performance. He identified (p 21) a 'strategic change cycle' for public sector organisations, which included the following activities:

- setting the organisation's direction
- formulating broad policies
- making internal and external assessments
- paying attention to the needs of key stakeholders
- identifying key issues
- developing strategies to deal with each issue
- planning review and adoption procedures
- implementing planning
- making fundamental decisions
- taking action
- continually monitoring and assessing the results

Bryson argued that this 'cycle' is a strategic management process which encourages a strategic approach to problems in public sector organisations. He suggested that strategic thinking and acting were more important than any particular approach to strategic planning and that this cycle encouraged a strategic approach, *"usually, it is vital for strategic issues to be dealt with expeditiously and effectively if the organisation is to survive and prosper"* (p 31). On the

incorporation of further education colleges, the FEFC required the colleges to produce strategic plans in order to receive funding and as a basis for inspecting and monitoring college performance. At the same time the greater competitiveness of the sector and the FEFC stance, that although it provided an overall steer to colleges it was up to them to manage themselves, created a situation where it was imperative for colleges to develop a strategic approach.

Bryson (1995) argued that strategies were tailored to fit an organisation's culture even if the purpose of the strategy was to change that culture in some way: *"the organisation's culture becomes very important during strategy formulation, because whatever patterns exist are typically manifestations of its culture"* (Bryson 1995, p131). Following Nutt and Backoff (1992), Bryson (1995) argued that every organisation had an existing strategy, whether or not it was any good, which provided the pattern that supported its policies, decisions, resource allocations and other actions. This pattern which is *"typically a manifestation of its culture"* will need to be *"refined or sharpened or (less frequently) changed altogether for it to provide an effective bridge between the organisation and its environment"* (Bryson 1995, p 131).

Newman (1994) suggested that the public sector discovered 'culture' in the late 1980s as a key dimension of change, as public sector organisations had to become customer orientated, entrepreneurial, innovative, flexible and responsive. Assumptions had been made that cultures were 'closed societies', whereas the public sector organisations were not closed and were open to external forces. Newman argued that although there were elements of shared values in the public

sector, in many cases cultures divided along departmental, functional or professional lines, with different sets of values and practices. Consensus could be difficult in the public sector where conflict might arise between 'old' public sector or professional cultural values as against 'new' business and market based values. She felt that assumptions based on the idea that culture was generated by, and centred on, the leader, took little account of the complex dynamics in the public sector. The lines of accountability between political control and strategic management were ambiguous even in new structures such as opted out schools and hospitals. Newman also suggested that culture could not be separated from strategic change because the process of change was intimately intertwined with cultural norms and values: *"the process of strategy-making, and the outputs of the process in terms of specific plans, are themselves intimately intertwined with cultural norms and values"* (Newman 1994. p 60).

Newman pointed out that existing organisational culture would influence the strategies that were developed. *"Culture prefigures the way in which strategy is made in a particular organisation,"* (Newman 1994, p 60) so that the culture of an organisation could filter or blinker the perception of important strategic issues. The organisational culture should be open enough to enable organisational learning to feed back in the strategic process, and strategy should build on the best features of the existing culture. Newman saw the problem as being that once it was agreed that cultural change was desirable and strategy was developed, how in fact to change the culture. She suggests that public sector change involved radical changes to roles and boundaries within and between organisations so that fixed identities based on a profession, function and role were eroded and a sense of

social purpose might clash with notions of progress. There was a transition from administrators to managers, controllers to leaders, deciders to enablers; changes were experienced differently by different groups, old identities were lost with consequences for individuals and for the organisation; staff at different levels had to adapt to working with more fluid boundaries, with less clear lines of authority and in sets of relationships with weak boundaries. Tensions and dilemmas arose because of mixed messages between old and new patterns of authority and hierarchy.

Newman (1994) also argued that in the past, those working in the public service were able to operate within a framework of meanings about their role as public servants, with a sense of purpose based on doing good or benefiting society, and this was in exchange for a certain status and security. Strategic change produced conflicts over meanings, exposed conflicting values, created shifts in power bases and realigned groups. Individuals learned the rhetoric of new values and adopted new cultural symbols in order to defend or expand their power base. She argued that strategy, culture and change interacted to produce tensions and ambiguities so that *“strategy which is divorced from a consideration of the capability of an organisation to deliver change is of very little value”* (Newman 1994, p 61). The most important issue was to establish clear links between strategic goals and the change strategies through which they were to be delivered. The pressure on further education colleges to become more ‘business-like’, to work within a more competitive market and to become more efficient and productive, all effected the culture of further education in ways suggested by Newman (1994). There had to

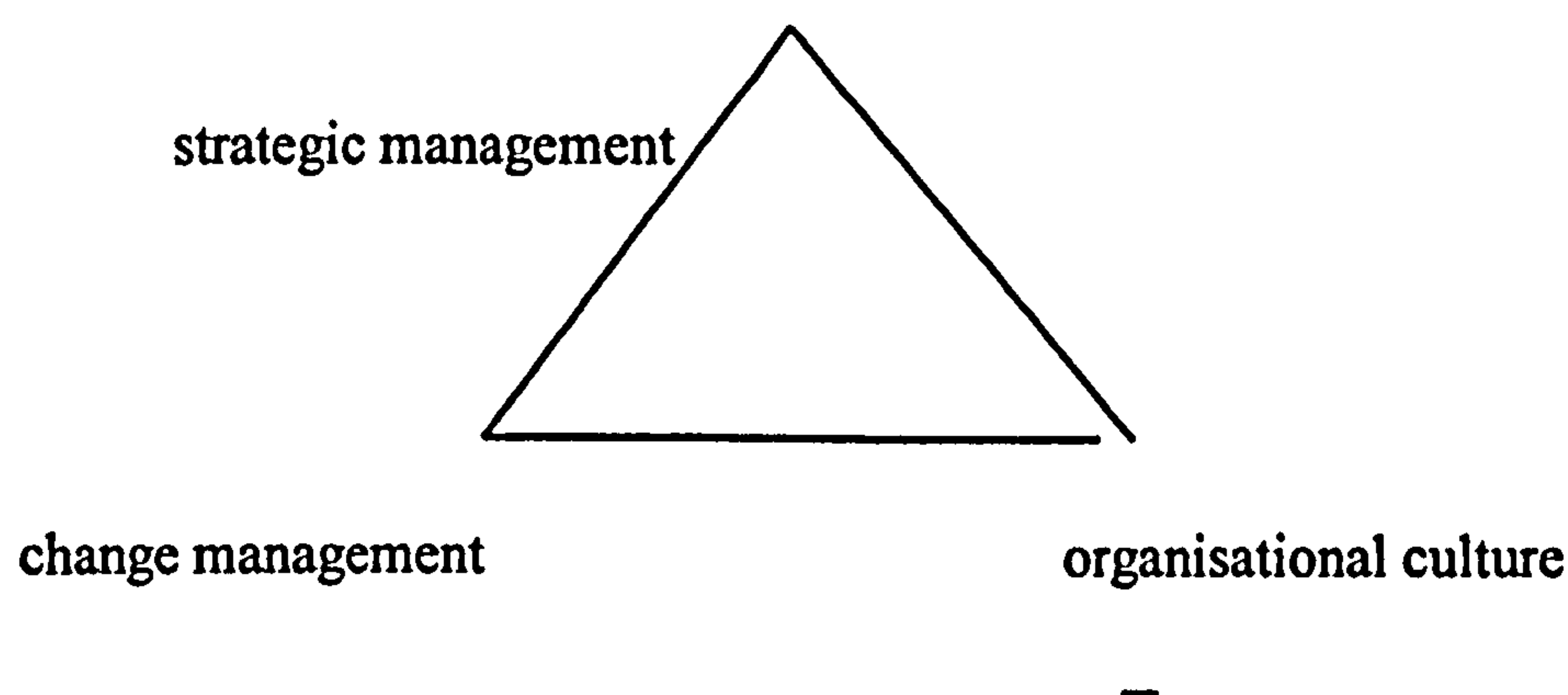


Figure 2.2 Relationship between strategic management, change management and organisational culture (Newman 1994, p 60)

be a transition from administrators to managers, with radical changes in roles and pressures on values. The gap between managers and their need to meet efficiency targets, and practitioners and their professionalism, was emphasised by incorporation. Newman argued that strategic management, change management and organisational culture and organisational culture were dynamically interconnected so that a change in one of them would have consequences for each of the others, as illustrated in Figure 2.2.

Dunleavy and Hood (1994), writing on the subject of 'old public administration to new public management', argued that new public management was a way of bringing public sector management reporting and accounting approaches closer to business methods or a particular perception of business methods. This involved a shift in two basic design co-ordinates. One was concerned with making the public sector less distinctive from the private sector in such areas as personnel policies,

reward structure, methods of doing business. The other was concerned with reducing the extent to which discretionary power was limited by uniform and general rules of procedure, particularly over staff, contracts and money. They suggested that traditional public administration was built on the idea of a highly distinctive public sector group and a dense grid of general procedural rules governing the conduct of business. The direction of the change had been in terms of reworking budgets to make them more transparent in accounting terms, viewing organisations as a chain of principal/agent relationships with a network of contracts linking incentives to performance, and disaggregating separable functions into quasi-contractual or quasi-market forms. Change had also opened up provider roles to competition between agencies or between public agencies, firms and not-for-profit bodies.

New public management involved contracts which specified expected service standards and contract details which typically produce large amounts of documents and more formularised requirements for service delivery than existed before. Dunleavy and Hood (1994) identify two modes of influence in strategic change in the public sector. One was an 'incubated' model, where reform ideas did not come into full effect until long after their original introduction. The other was the 'acute' innovation pattern, in which reform programmes peaked early and broke up quickly. They give reforms in the Civil Service in the nineteenth century as an example of the former and corporate planning in local government in the 1970's as an example of the latter. The new public management had elements of both modes. They noted a delayed response to innovations originally developed in the 1960's but not applied to all areas, although they suggested that

perhaps the changes were now so omnipresent in public sector organisations that new public management no longer amounted to a distinctive reform programme as output budgeting, performance indicators, the separation of roles and contracts were now taken for granted.

They argued that new public management could be criticised on a number of grounds. The 'fatalistic critique' (p 10) stated that the basic problems of the public sector were omnipresent, including human error, systems failures, misdirected programmes, fraud or corruption and bad intentions. They argued that no system of management could eliminate these problems and that little had changed under the new acronyms and control frameworks. The 'individualist critique' (p 11) was dismissive of corporatisation measures that fell short of full privatisation. This suggested that new public management was an unsatisfactory halfway house between the traditional structure of public administration and a system which was based on enforceable contracts and individual legal rights. They also argued that the 'hierarchist critique' (p 11) saw efficiency gains being offset by large policy fiascos. The central government planning capability was eroded and there was a failure of a proper balance of political guidance, administrative advice and outside expertise. At the same time, a narrow range of performance targets might cause managers to push through cost-minimising changes. The public service ethic of high-trust contract relationships was eroded. The 'egalitarian critique' (p 12) suggested that there was a risk of public service reflecting the interests of senior public servants rather than those of the service users. Governments became less comprehensible, accountable and accessible to its citizens, despite proclaiming contrary aims and objectives. Public sector

organisations might be reshaped in the format that suits the personal interests of senior managers.

Dunleavy and Hood (1994) saw a number of possible future developments. There might be a distinct public sector with entrenched core competencies and methods of operation or public service provision could become dominated by large private corporations. They gave the example of information technology processing systems, where expert systems had been substituted for middle management tasks and had removed public sector specific information handling procedures. This process had moved public sector management into areas where international private sector corporations were dominant. The 'headless chicken' (p 14) model suggested that public services might be both over-managed and under-managed. Over-managed at the level of individual organisations, but under-managed overall because there was no system guidance. There was growth, diversity, innovation and confusion, but the public sector still remained distinct from the private sector in staffing and organisation. Big differences in pay levels between public and private sectors limited the degree to which really capable private sector managers with a strong track record could be brought into public bodies, so that a 'de facto' public sector corps of managers remained in place. The 'gridlock model' (p 14), on the other hand, suggested that there was a sharp distinction between public and private sector providers. Many public services might be provided by corporations under strongly developed procedural rules.

Dunleavy and Hood (1994) argued that the headless chicken model was the way several areas of contemporary public management had moved, but this might be a

temporary phase prior to the development of gridlock. The developments in further education in the 1990s can be seen in terms of this model. It could be argued that the sector became over-managed at the level of individual colleges but under-managed overall because the FEFC provided targets but little in the way of system guidance. Dunleavy and Hood felt that the headless chicken model did release pent-up forces of dynamism and entrepreneurship, ended ossified structures, encouraged innovation and competition, but might involve duplication and expensive mistakes, while mediocrity and corner-cutting might drive out good practice.

Problems might arise because of pressures to take on inappropriate fashionable models across-the-board, to measure success or otherwise by the ritual or rhetoric that other people were assumed to want. At the same time there might be an absence of debate on what core competencies and national public service ought to retain, in terms of intellectual, managerial, service and market capabilities. Dunleavy and Hood contrast the stress in private sector management on accurately defining the core competencies of the firm and the lack of similar issues in public sector management reform.

2.8 The links between the public and private sectors in the management of strategic change

Dopson and Stewart (1990), contrasted the public and private sectors in considering the appropriateness of the public sector adopting private sector practices. They found that public sector managers were expected to acquire new managerial skills, including more financial knowledge, greater ability to manage

staff, to know more about other departments and to have more awareness of marketing and strategic issues. The majority of managers were finding their jobs more stressful as changes were made. For example, in the Inland Revenue there was an increased complexity in the tax laws, more confrontational investigations, a declining calibre of staff (particularly in the South-East), more management initiatives and a more demoralised workforce. In the National Health Service, managers were unable to provide as good a service as possible because of limited resources. In Her Majesty's Stationery Office there was tension between wealth generating and service divisions.

Dopson and Stewart (1990) considered that public sector managers were cautious because accomplishments often went unrecognised, while mistakes were widely publicised and ridiculed. They questioned whether private sector management concepts could be transferred to the public sector and argued that public sector managers were likely to be less positive about new managerial practices than their counterparts in the private sector because of reduced public spending, the demands of central government for economies and relatively low pay. More could be done to recognise and reward accomplishments in the public sector and there could be greater care in using private sector terminology such as 'consumer', 'marketing', 'quality assurance', 'competition'. The use of these terms could be seen to undermine the values of public service which might have been the main reason for individuals joining the public sector in the first place.

They felt there was a need to explain to managers how private sector concepts could be used to provide a better service to the public and did not need to

undermine public sector values. This was particularly important when dealing with professionals, because many of them received little training in management or organisational skills until relatively late in their careers. Strategic change created a demand for greater leadership at all levels while traditional public sector managers had not been expected to be leaders but were looked upon more as administrators. At the same time, Dopson and Stewart found that private sector managers were more in control of the resources they needed to achieve their objectives than managers in the public sector. As a result of this only some aspects of resource-based strategy could be applied to the public sector. As Lynch (2000) has pointed out *“public sector organisations with limitations placed on their resources by government may find that resource-based options provide more scope than environment-based opportunities”* (p 590). This reflected on Porter’s (1985) argument that one of the three basic strategies open to organisations was cost leadership involving cost reductions in order to gain sustainable competitive advantage.

Stewart and Ranson (1988) emphasised the differences between the public and the private sector particularly in relation to areas such as marketing and public accountability. They argued that the marketing role was critical to the private sector leading to an emphasis on the relation of the company to its customers. Although this approach was helpful to the public sector, they argued that a public sector organisation should have many relationships with its public as customers, clients and as citizens, so that as well as being concerned with market demand the organisation had also to be concerned with public need. Heymann (1987) explained that while public management was like business management in many

respects in a most important respect it was different, and that was that public managers were politically accountable. While Moore (1995) argued that the justification for managerial action in the public sector was the preferences that arose from representative processes. *"The aim of managerial work in the public sector is to create public value just as the aim of managerial work in the private sector is to create private value"* (Moore 1995. p 28). This public value might be in terms of good health or good education, and it would depend on representative processes and political accountability. In terms of accountability, Stewart and Ranson (1988) argued that whereas the private sector organisation was accountable to the market, the public sector was accountable to a range of people and bodies and to the public at large. The public sector had to explain and justify its actions to a wider stakeholder interest than the private sector and pressure groups had a particularly significant influence because resources were both finite and limited, and distributed as an act of political will. This created an immediate dilemma for the application of consumer principles. Stakeholders included politicians, taxpayers and voters in the public sector and bodies such as funding councils.

Nutt and Backoff (1992) argued that different strategies were needed for different organisational stakeholders in the public sector, depending on the importance of the stakeholder and their position with respect to any given course of action. They identified a 'stakeholder matrix' depending on the importance of the stakeholder and their position on the issue in question. One dimension of this matrix indicated whether the stakeholder supported or opposed the proposed course of action, the other dimension represented the stakeholder's importance to the organisation,

particularly in relation to the proposed course of action. Nutt and Backoff (1992) proposed different tactics to deal with the various categories of stakeholder. 'Antagonistic' stakeholders, for example, opposed a course of action and were important to the organisation, so that managers had to negotiate with them and try to develop arguments which would satisfy them. 'Supporters' or 'advocates' were stakeholders who were important to the organisation and who supported the course of action, so that they needed to have their beliefs reinforced and to be encouraged to spread their views to others. 'Problematic' stakeholders were those who opposed the proposed course of action, but were relatively unimportant to the organisation, so that tactics could include redefining the strategy in order to satisfy them or methods to attempt to change their views. 'Low-priority' stakeholders, supported the proposed course of action but were relatively unimportant to the organisation and tactics could include attempts to involve them with 'supporters' to increase the overall level of support for the proposed strategy.

The importance of stakeholders in the public sector meant that often accountability was more complex in the public sector than the private sector because interested groups included parliament, watchdog bodies, funding councils, peer groups, the community, clients and the users. There were problems over influencing inputs and measuring outcomes, there might be a broad range of service delivery as well as problems of placing political interests above those of good management. Dopson and Stewart (1990) suggested that there might be a use of the public domain to reconcile interests that might not be able to be reconciled and to meet aspirations that might not be capable of attainment, while

the private sector organisation resolved such dilemmas by defining them out of its area of organisation concern.

An example of aspirations which were difficult to attain was provided by Longley and Warner (1995) in looking at the British Health Services. They saw the fundamental dilemma as one where the demand for health care always outstripped supply. This was not a new problem but, they argued, it had been made more acute in response to an accelerated pace of change. The level of demand was rising almost exponentially, while the willingness to pay was not. Pressures included developments in science and technology, social changes such as the ageing population, changing lifestyles such as those causing obesity, patterns of disease with a decline in some but an increase in others such as cancer and aids, and changes in the economy including levels of employment. The World Health Organisation had stated that health could be considered a *'state of physical, mental and social well-being and not merely the absence of disease'* (pp 28-29) and Longley and Warner (1995) believed that the National Health Service could not achieve this on its own, but could provide a service for prevention, diagnosis, treatment and continuing care.

McNulty and Whittington (1992) saw the public sector response to market pressures including a trend to decentralisation, attempts to develop managerial control and co-ordination through financial information systems and management processes, an increasing requirements for the organisation to market its activities, the variable influence of those with financial and marketing expertise at senior management level and the changing relationship between managers and

professionals. They considered the distinctive features of both the process and content of strategic change when the organisation was one within which the work was organised around experts, who might be also members of professional occupations. They found that in these organisations there was an increasing use of professionals as managers, accountable for managerial as well as technological performance. This required a change in the 'mind-set' of managers responsible for 'business areas' and 'departments'. In the National Health Service for example, an increasing number of clinical directors were being kept informed of 'performance against contracts', with experts and professionals required to become more aware of market needs. They quoted a doctor as saying "*as a doctor I have three distinct priorities of loyalty. My first loyalty must always be to my individual patients. My second loyalty must be to my profession's standards and my third loyalty, and putting it third does not mean it is rubbish, is to whoever employs me at that particular time*" (p 14). They saw culture conflict between the organisation and professionals manifested in disputes about professional freedom, and the preservation and development of professional standards. In these organisations cultural 'homogeneity' (a feature of excellent organisations identified by Peters and Waterman, 1982) was difficult to achieve.

Morley (1993), found that the creation of a new management model for the Civil Service was not a simple act of plagiarising the best practice of the most successful companies, because the private and public sectors operated in different contextual frameworks. Whereas the private sector organisations were subject to competition and the disciplines of the market, the public sector administered accumulated legislation as a monopoly within a parliamentary and political

framework. Ruffat (1983) had identified three conflicting obligations in the strategic framework of non-market organisations, which were a service obligation, to provide efficiency in the utilisation of resources, a social obligation, in the ability to create jobs and an economic obligation, to provide a leverage effect on the economy. Each category of stakeholders would first seek to optimise its part of the equation to obtain the highest yield. Public sector values could be said to be 'pluralistic', in the sense of a wide constitution of equal stakeholders, while workers have traditional allegiances outside their institutions, to their profession. There were tensions between greater cost-effectiveness on the one hand and better social outcomes on the other. As pressure for efficiency continued, there might be shifts in savings in the public sector based on service being delivered, to savings on what services should be delivered and the level and standard of service. Lavery and Hume (1991), identified this was the case with local authorities, as they had moved towards an enabling role, delivering fewer services directly.

The literature review indicated strong links between the private and public sectors in the management of strategic change while at the same time highlighting the differences between the two sectors. The blurring of the distinctions between the two sectors did not mean that the clear differences between them had disappeared but did mean that the models of strategy and strategic change applicable to one sector could be applied to the other. The conclusions of McNulty and Whittington (1992) were that managing strategic change seemed to be a common problem for managers within both public and private organisations and that models of strategic change such as those of Pettigrew (1985) and Pettigrew and Whipp (1991) could be applied to organisations in both sectors. Pettigrew, Ferlie and McKee (1992)

illustrated this in terms of the importance of environmental assessment. They argued that the research in the private sector reported in Pettigrew and Whipp (1991) *“demonstrates that the starting point for strategic focusing and change derives from a firm’s skill in environmental assessment”* (p 289). This research showed that companies needed to do more than regard the creation of knowledge and judgements of their external competitive work as simply a technical expertise, they needed to become open learning systems which acquired, interpreted and processed information about their environment.. They argued that their research into the National Health Service demonstrated the role and value of environmental assessment in the conduct of the change process in the NHS. The information that arose from this assessment made it possible for organisations in both the private and the public sectors to disentangle the panics from the significant issues and therefore to focus on key priorities in the change process.

The comparison between the private sector and the public sector revealed clear differences which needed to be taken into account in applying models of strategic change developed in the private sector to the public sector. Public sector organisations could not opt out of a product merely because the environment was unfavourable. There was a political dimension in terms of the public sector providing public services so that although marketing could play an important role, public sector organisations could be considered to have many relationships with the public, not simply as consumers. While the private sector was largely concerned with the demand for products at a price in the market, in the public sector organisation, concern could extend beyond the limits of market demand to concern with need. The budget in public sector organisations was related to an act

of political choice rather than sales and public sector organisations were accountable to a range of bodies and to the public, while private sector accountability was found in the market. *“Whereas strategy in the private sector has to manage competitive forces, in the public services strategy has to deal with pressures and forces deriving from the public and politicians”* (Joyce 1999, p 164)

At the same time the assumptions that could be made in relation to the public sector in terms of the importance of pressures from the public, from employees and from those receiving the service have had to be revised in the face of attempts to create more “business-like” areas in the public sector where “market-forces” were brought into play. As Joyce (1999) has argued it has been suggested that the public sector failed to adjust to new times in the 1980s and 1990s and the reasons for this failure was mainly its bureaucratic organisation. The cure was then seen as a shift to a more entrepreneurial form of government. Joyce points to the experiences in other countries such as the USA where increased accountability has been applied to public sector managers. As a result of changes such as these in the public sector in the nineteen eighties and nineties, it can be argued that private sector models have become more applicable to the public sector, although they have to be applied with care. The pressures originating in the public services environment cannot be seen as equivalent to the environmental pressures building up for a private sector company. *“The existence of overwhelming external pressures for change are certainly not equivalent to the private sector concept of ‘threat’”* (Joyce 1999, p166), because the pressures are demands by the public to meet unmet needs. The turbulence of the environment in the public services is

created by political processes, which are a way of transmitting change from the public to the public services and are the cause of strategic change in them. In the public services strategic change may be aimed at deflecting public and political pressure and organisational strategy may go no further than justifying organisational budgetary requirements which may be instrumental in efforts at serving the public better. However, organisational strategies may also be aimed at changes that lead to public needs being met in a more satisfactory way than before.

Organisations in both the private and public sectors needed to react to strategic change, although the application of strategic management in the two sectors were different. With the lack of models of strategic change applied to further education, robust models developed in the private sector which had already been applied to other areas of the public sector provided a starting point for developing a theoretical framework. The colleges of further education after incorporation in 1993 displayed many of the characteristics of the public sector identified in this review. The colleges were faced with the consequences of making mistakes, with high levels of accountability, with aspirations that were difficult to achieve and market pressures which required new management and leadership skills.

2.9 Strategic change in further education

The changes that occurred in the management of further education after incorporation could be understood in the context of changes in public sector management in particular and the wider changes in terms of the management of organisations in both the public and private sectors. The further education sector

in the 1990s could be seen as a part of the 'new public management' described by Dunleavy and Hood (1994) in that it had become less distinctive from the private sector in areas such as personnel policies, reward structure and methods of doing business. Further education college budgets had become more transparent in accounting terms, colleges had become subject to contracts linking incentives to performance and colleges had become subject to market or quasi-market pressures.

Organisational culture in further education could be seen as an important element in the strategic change in the sector as pressure developed in the 1980s and 1990s for the sector to become customer orientated, entrepreneurial, innovative, flexible and responsive. The conflicts in the public sector between the traditional departmental and professional values and the new business and market based values, identified by Newman (1994) and by McNulty and Whittington (1992), were reflected in the developments in further education particularly in the 1990s. At the same time managers in further education have had to develop the new skills suggested by Dopson and Stewart (1990), including more financial knowledge, a greater ability to manage staff and an awareness of marketing and strategic issues. Stakeholder interest was a significant influence on strategic change in the further education sector and reflected the views of Nutt and Backoff (1992) on the variety and differing requirements of public sector stakeholders as well as the suggestion by Dopson and Stewart that accountability was more complex in public sector than in the private sector.

The conflicting strategic obligations in non-market organisations identified by Ruffat (1983), were also reflected in the development of further education colleges. The changes brought about in the late 1980s and in the 1990s in further education included pressure to provide greater efficiency in the utilisation of resources, an emphasis on service and social obligations and a clear economic obligation to provide a leverage effect on the economy. Further education was very involved in the government's adoption of national education and training targets for example.. At the same time the emphasis on 'policy' rather than 'strategy' outlined by Pettigrew, Ferlie and McKee (1992) had to change in the further education sector as it was exposed to 'market forces'. The distinction made by Porter (1996) between operational effectiveness and strategy have, for the first time, become relevant to individual further education colleges with the development of self-management and incorporation. They had to focus on Bryson's (1995) view of strategic planning in public sector organisations and his view that strategies were tailored to fit an organisation's culture even if the purpose of the strategy was to change that culture in some way. The critical issues that arose from the study of further education and the literature search centred around the need for new leadership and management skills, the ability to raise funding and control finance, the development of organisational structures to meet the new requirements, the degree of consultation and communication to facilitate change, the reaction to competition and the need for environmental assessment, and the requirements for planning and development. These critical issues gave rise to key variable in the study of strategic change in further education.

2.10 The theoretical framework and the conceptual model

This literature review has helped to identify and focus on the importance of strategy and strategic change in organisations which provided the basis for this investigation of further education colleges in England in the period between 1993 and 1999. The objective was to produce a comparative and contextualist framework which could yield important insights into the process of strategic change in further education colleges. Research in strategic management has been criticised (Pollitt 1993) for over concentration on the study of strategy as planning and reorganisation reflecting the influence of the 'design school' (Andrews 1971) and the 'planning school' (Ansoff 1991) in the general strategy literature. Pollitt (1993) examined a range of alternative models to what he described as 'neo-Taylorist managerialism' and considered that the strategic framework developed by Pettigrew (1985), Pettigrew and Whipp (1991) and Pettigrew, Ferlie and McKee (1992) offered a coherent framework for the analysis of change in the public sector. The strength of the Pettigrew framework was its holistic analysis which examined the dynamics of the relationship between the environment (the 'outer context') and the organisation's inner context in terms of its culture, structure and management.

The research of Pettigrew, Ferlie and McKee (1992) into the National Health Service in the late 1980s and early 1990s appeared as a particularly strong foundation for the theoretical framework on which to base this research. They argued that there were both differences and similarities evident between the private and public sectors, with the dominant problem since the 1980s being the over mechanistic transfer of concepts from the private to the public sectors. They

felt that there were sufficient similarities to make the application of a broader range of approaches to organisational analysis within the public sector potentially fruitful. They saw three possible sources for commonality between the two sectors which could underpin the development of a generic approach. These included generic issues (such as human resource management) which were important in both sectors, a common context, such as changes in the national political economy, which raised the question of restructuring in both sectors, and managerial and organisational processes and competencies such as strategy making, and political skills. They saw an intellectual challenge in linking these possible sources of commonality together and a pragmatic challenge in building the capacity to manage particular changes involving these three elements.

They reviewed a number of streams of literature which raised questions of organisational process, all of which had been applied across both sectors and where public sector settings have spawned as much work as private sector settings. They argued that the incrementalist perspective has been historically well represented, if not dominant, in studies of decision making in health care settings in the UK and the USA. Based on studies, particularly in the USA they felt that there was a need to go beyond the incrementalist perspectives in order to understand the behaviour apparent in health care organisations in the 1980s. They considered contingency theory approaches based on the comparative analysis of formal organisational structures in both industrial settings and public sector settings such as local government and the relationship of such organisations with external environments. These approaches sought to establish general associations between the characteristics of organisations, their structures and the environments

in which they operated. One critique of contingency theory highlighted its failure to consider the social and cultural settings of organisations., although at the same time it did force a consideration of the way in which environmental pressures and opportunities could affect organisational responses. These theories also suggest that there was not one best way, but rather that functional organisational structure was associated with the nature of the task being undertaken.

Pettigrew, Ferlie and McKee (1992) also considered life cycle theories in debating the validity of an intensive, longitudinal, case study based form of research methodology. While there were interesting aspects of this approach in charting an organisation's movement between the 'stages' of the life cycle, the assumption of a fixed sequence which could not be altered they considered was too automatic to take full account of organisational transition.. At the same time they considered the popularity of a population ecology perspective which had emerged in American literature, although they felt that supporters of this approach were too unimpressed by the ability of managers to turn around their organisations and placed too much stress on organisational inertia.

Pettigrew, Ferlie and McKee (1992, p 28) concluded that a search for a simple and grand theory of change was unlikely to bear fruit because a number of different perspectives would be evident in a case, with rational components combined with process components and historical accident. Nevertheless they felt that the organisational transition approach represented a fruitful vehicle for those interested in a contextualist analysis of the changes apparent in health care in the 1980s. This framework was focused on processes of adaptation but recognised

that these were complex and could include jointly rational, political, cultural and learning components. They considered that an organisational transition approach was potentially much better able to explore idiosyncratic patterns of development through time. In my research this approach was felt to provide an appropriate framework to uncover the relationship between the content of change and the importance of context and process in the management of strategic change in further education colleges..

Further education colleges had to establish a consistent pattern in their activities (Bryson 1995) so that their strategy achieved 'fit' with their new environment (Porter 1996). They had to develop strategies which matched organisational capability with external restraints (Mintzberg 1989 and Pascale 1991). They could trim their ambitions to those that could be met by their existing resources or they could create challenging, stretching ways to build up core competencies (Hamel and Prahalad 1989 and 1993). They needed to position themselves in their markets to be successful and consider the trade-offs required in establishing a competitive advantage (Porter 1985 and 1996). Colleges could have an intended strategy, deliberately formulated and planned in one way or another; or their strategy could emerge or could rely on what they felt was imposed on them (Mintzberg and Waters 1985 and Mintzberg 1994). Senior managers in further education colleges have had to improve operational effectiveness to ensure that colleges survive and they have also had to be involved in strategic management in positioning the organisation in its market.

Strategic change in further education can be seen on the framework of triggers for change and forces for change as against forces for maintaining the status quo (Lewin 1951 and Schein 1992), against the possibility of strategic drift (Mintzberg 1989) and in the context of organisational culture (Newman 1994 and Pettigrew and Whipp 1991). Cultural conflict could arise in further education colleges as in other public sector organisations, particularly because, as a result of incorporation, senior managers were encouraged to introduce a 'business-like' approach while teachers could feel that their professionalism was under attack (McNulty and Whittington 1992). The new situation that existed in colleges after 1993 introduced a new language as marketing became a factor in the sector and a new customer focus had to be achieved, while new stakeholders had to be satisfied (Nutt and Backoff 1992), in particular the Further Education Funding Council.

In considering the proposition that in order to survive and be successful colleges of further education needed to develop strategies to cope with the changes in their environment caused by incorporation, a comparison could be made between these strategies and the theoretical analysis of strategy and strategic change, and with the further consideration of strategies which could be successful in coping with future changes. The further education sector has been described as under-theorised, so that a range of models were considered in order to highlight strategic change in the sector. While the models discussed above provided a number of useful perspectives, the models with a particular relevance were those of Pettigrew (1988) and Pettigrew and Whipp (1991) in their holistic consideration of strategic change and Pettigrew, Ferlie and McKee (1992) in their approach to

organisational transition and on their stress on the internal context of organisations as well as the external context..

This meant that as a conceptual model for considering strategic change in further education it provided a sound foundation because it related to the key variables identified in this research proposition. It provided a foundation for the exploration of content, process and contexts, concerned with both the influences from the outer context such as incorporation, the funding mechanism and elements of the market, and influences internal to the organisations involved such as its regional differences, leadership and culture. The content of change could be seen in terms of what changes were made in the further education service in relation to financial arrangements and organisational structure and the process of change involved the examination of how and by whom change was managed and what patterning occurred in this activity.

Figure 2.3 summarises the conceptual model. The objective of the research is how effective strategic change is achieved in colleges of further education. This depends on the outer context of change in terms of incorporation, funding and elements of the market place such as competition, the inner context in terms of regional differences, resources, capabilities such as leadership, organisational culture and structures, as well as the content and the process of change. The content can be seen in terms of finance and organisational structure and the process can be seen in terms of management, communications and consultation, environmental assessment and planning and development.

The conceptual model for this research

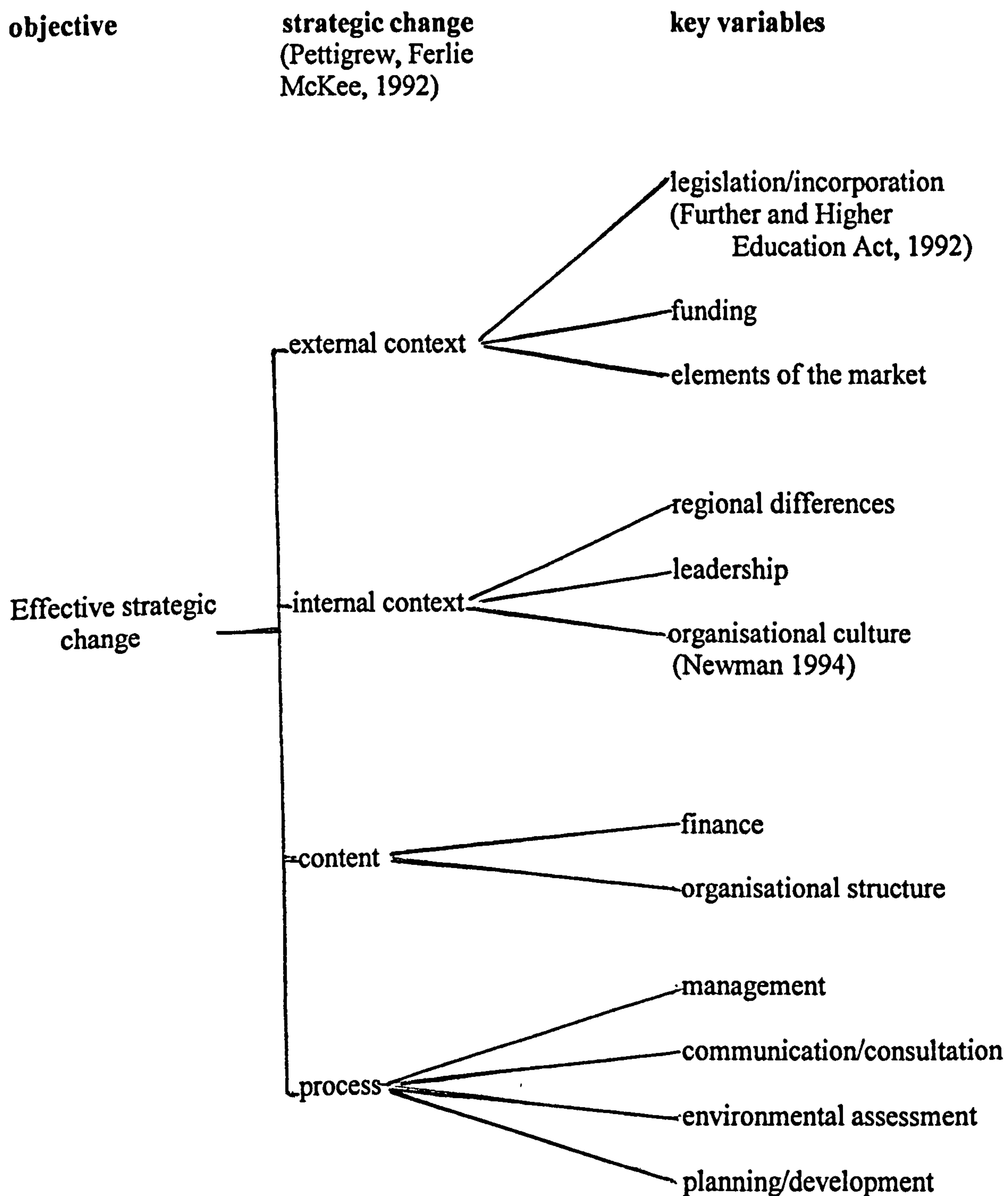


Figure 2.3 The conceptual model

This conceptual model provides a basis for the investigation of further education college reactions to the changes in their environment, because it takes account of external change facing all further education colleges as well as the internal contexts of the organisations which created different conditions for the content of change and the process of how change occurred. Colleges differed at least in terms of regions, location and history as well as in terms of structure, leadership and resources, while they were similar in the need to take into account the key variables. In the research process the purpose of the National Survey, discussed in Chapters 3 and 4, was to discover how the managers of further education colleges perceived the changes introduced in the 1992 Act and how they had reacted in terms of the internal organisation of the college, as well as starting the investigation of the key variables. While the survey could ask about the changes that faced the colleges and the immediate reactions to them, it could provide limited information on the changes involved and this element was followed up in the Case Studies. For example, the National Survey included questions on the main causes of change from the point of view of the colleges and the main changes that had been introduced in recent years, while in the Case Studies it was possible to follow up on which changes had caused particular reactions and the process through which change was achieved. It was also possible to consider different points of view within the colleges.

In the National Survey questions could be asked about the appointment of key functional managers such as finance directors and marketing experts, but their actual role and position on the college organisational structure were more easily investigated in the Case Studies. The role of environmental assessment and of

marketing in the colleges could also be investigated in the Case Studies in terms of different people's perceptions of these functions and how they actually worked within a college. Similarly the National Survey included questions on the size and role of college governing bodies since incorporation which were followed up in much more detail in the Case Studies in order to investigate different roles in the strategic management of the colleges. At the same time Newman's (1994) emphasis on organisational culture in the interaction between strategic management and change management prompted a consideration of college culture as a factor in strategic change. The National Survey could provide only limited information about college culture and about the process of change, although it could provide a starting point for questions on these subjects in the Case Studies.

The Case Studies could provide directions for future research so that in the concluding chapter it is possible to advance some general propositions which emerged from the detailed case study analysis. The key variables in the conceptual model were identified from the study of the development of further education and the changes brought about by incorporation, and considering these developments in the light of the literature review. The lack of public sector models, particularly with reference to further education, at the beginning of this research meant that most of the literature started with private sector models which had then been referred to the public sector. The examples of research into the further education sector outlined in Chapter 3 provide examples of the use of various methods of research although they provide little information on the application of models and theories in the sector. While the research methods which could achieve these objectives are considered in Chapter 3, including the

importance of case studies, in the light of the results of the National Survey described in Chapter 4, the use of case studies is discussed again in Chapter 5. The conceptual model is used as a framework for analysing the results of the Case Studies in Chapter 10 and considering comparisons and contrasts between the individual Cases and in the critical evaluation of the research in Chapter 11.

Chapter 3 The Research Process

3.1 Introduction

The first stages of the research process were to analyse the information on the strategic changes to the further education sector which arose as a result of the 1992 Further and Higher Education Act and the incorporation of colleges in April 1993 and to consider these changes in the development of further education (described in Chapter 1); to review the literature of strategy and strategic change to study the theories and models of strategic change in order to develop a theoretical framework and a conceptual model (Chapter 2); and also to understand the appropriate research methods in order to achieve the research objectives (Chapter 2 and in this Chapter and Chapter 5).

The literature review provided “*an overview*” of the subject, increased “*knowledge of the subject area*” and the “*application of different research methodologies*” as well as helping to focus on “*the research topic, develop and support it*” as suggested in Hussey and Hussey, 1997 (p 86). As argued by Johnson (1994), reading of existing work in the field provided information about other people’s findings, commonly used research techniques, pitfalls, omissions and other important matters which could help to make a research project more effective. It enabled the development of a conceptual model based on the key variables which had been identified through the study of the development of further education and of the theories and models of strategic change. The literature review also showed that further education was an “*under-researched*” (Levacic and Glatter 1997, p 2) subject and that useful results had been produced by the application of particular research methods. The research projects discussed in the

journal “College Research” published by the Further Education Development Agency (FEDA) have been largely concerned with curriculum and learning delivery topics and not with management in further education, which is to be expected given the role of FEDA in developing the further education curriculum. The research process has been considered in terms of the discussions of research into business and management subjects in Pettigrew (2001), Tsoukas (1994), Whitely (1984), Easterby-Smith, Thorpe and Lowe (1991), Gummerrsson (1991) and Kervin (1992), Remenyi et al (1998) while Bryman (1988) and Cassell and Symon (1994) provided a perspective on research methods in organisations, and Starkey and Madan (2001) on the relevance gap in management research between management research and managerial practice.

The strength of the quantitative approach was confirmed by Blalock (1970 and 1972), Bryman (1988), Adams and Schvaneveldt (1991) and Sirkin (1994) in terms of its susceptibility to statistical analysis, so that given the use of appropriate random sampling methods, its findings could be generalised and could be expressed in relatively simple terms with known confidence limits. At the same time these factors could also be seen as the greatest weakness of the quantitative approach because it reduced human activity to a limited set of categories which involved the simplification of complex matters and a loss of context both in data gathering and statistical analysis. Kalton (1966) described the use of quantitative methods in the social sciences while Cohen and Manion (1980) discussed these methods in terms of research into education, and both confirm these strengths and weaknesses. On the other hand it was argued in Glesner and Peshkin (1992) and Miles and Huberman (1994) that the qualitative approach made it possible to place people’s behaviour in a

rich context and to describe in detail and depth individual cases which could be used as projective models. This was also seen as the strength of the qualitative approach in Strauss and Corbin (1990), Denzin (1970), Denzign and Lincoln (1994), while Creswell (1994) suggested that it was possible to involve both qualitative and quantitative approaches in research design.

It was understood that it was important to maintain the anonymity, privacy and confidentiality of both the institutions and the individuals involved in the resekach, also of being open about the purposes of the research and ensuring that the research process did not disturb the relationships between the various participants. During the research there was no evidence of mistrust of the researcher's motives, account of the research, discretion or ability to maintain anonymity. As a result of my personal history and experiences there was an understanding that I had experience in and knowledge about the sector. Weick(1992), in discussing a theory-focused approach to research as against a problem-focused research, considered that "*personal histories and experiences have more impact on problem choice than do distal categories such as theory and problem*" (p 172) and "that *personal biography affects not only the form of inquiry but also the content*" (175). He considered that different approaches to research could be understood in a number of ways including in terms of perspectives from the inside or the outside and the detachment of a theory based-approach against the immersion of a problem-based approach. My personal history and experience did influence the choice of the research subject and also influenced the content of the inquiry. The decision to study further education arose from my knowledge that it could be a fruitful area for research because it had not been heavily charted and further education had experienced a dramatic change in its management

which could reflect on developments in other areas of the public sector. The choice of strategic change in further education was based on my interests and involvement in the process.

Evered and Louis (1981) distinguished between research from the inside and from the outside of an organisation or situation and see the role of the researcher on the inside as an organisational actor or participant observer, while from the outside the researcher was seen as a data analyst or rationalistic model builder. The mode of inquiry from the inside involved immersion in the subject of the research while the objective of the inquiry was seen as situational relevance and the nature of the data and meaning was contextually embedded. The mode of inquiry from the outside was detached and neutral, with the researcher's role seen as an onlooker, the aim of the inquiry was generalisability, and the nature of the data and meaning was factual and context free. The approach followed in this research project was not as a participant observer or as an organisation actor, it was as an insider in the sector rather than any particular organisation within it, with an insider knowledge of the subject and an understanding of the 'language' and jargon used in the sector.

Merton (1972) considered the differences between 'insiders' and 'outsiders' from the point of view of the sociology of knowledge. He argued that the extreme insider approach meant that *"the Outsider, no matter how careful and talented, is excluded in principle from gaining access to the social and cultural truth"* (p 15) of a group because the outsider, unlike the insider, had neither been involved in the group nor had engaged in the experiences that made up its life, *"and therefore cannot have the direct and intuitive sensitivity that alone makes empathetic understanding possible"*

(p 15). This extreme position suggested that only insiders could understand the “*fine-grained meanings of behaviour, feeling and values and can decipher the unwritten grammar of the conduct and the resources of cultural idiom*” (p 15). A less extreme view of this approach was that insiders and outsiders had at least different points of view. The insider shared the deepest concerns of the group or at least was thoroughly aware of them, while the outsider would inquire into problems relevant to the distinctive values and interests which they shared with members of their group. This could suggest that the judgement of insiders could be best trusted when they assessed groups other than their own. In fact Merton argued that one of the problems that had to be considered was that “*the aggregate of individuals share some statuses and not others*” (p 22) and are simultaneously insiders and outsiders and furthermore in arguing for the monopolistic access to knowledge, insider doctrine does not make provision for individual variability that extends beyond the boundaries of the group. He contrasted the extreme insider view that one must be Caesar to understand Caesar with the extreme outsider view that one must not be Caesar to understand Caesar.

Merton pointed out that it was outsiders who found what was familiar to a group significantly informative and therefore worthy of raising questions for inquiry which might less often be raised by insiders. At the same time outsiders were not tied down by habit and precedent and so the prospect of certain kinds of insight might be better for the outsider. In fact the two perspectives could converge through the adoption of ideas and the developing of complementary and overlapping centres of attention in the formulation of scientific problems. “*The role of the social scientist concerned with achieving knowledge about society requires enough detachment and trained capacity to know how to assemble and assess the evidence without regard for what*

the analysis seems to imply about the worth of one's group" (Merton 1972, p 41). He argued that intellectual criteria, as distinct from social ones, for judging the validity of an inquiry transcended extraneous group allegiances. *"Commitment to the intellectual values dampens group-induced pressures to advance the interests of groups at the expense of these values and of the intellectual product"* (Merton. 1972. p 44)

My personal history and experience did have an impact on the choice of subject because my thirty-five years experience in the sector provided a background of knowledge and understanding which would have taken time to acquire in another area. At the same time I was not employed in the further education sector and I came with the backing and support of an institution (the Open University Business School) outside the sector. While I was thoroughly aware of the concerns of the people included in this research, I took the role of the social scientist seriously in terms of detachment and trained capacity to know how to assemble and assess the evidence without regard for what the analysis seemed to imply. The senior managers of the colleges that were the subject of the case studies were aware of my background, they knew the purpose of the research and their agreement to the survey and the interviews showed confidence in the way the process was carried out. This issue is considered again in relation to the evaluation of the research in Chapter 11.

Further education could be regarded as a suitable subject for this research given the changes colleges had experienced in the 1990s and the limited previous research into the management of the sector. There was every attempt to maintain validity and reliability in the research project from the preparation for and conduct of the

interviews and from the analysis and interpretation of the data. There was critical evaluation at each stage of the research process including the questionnaire, interview framework, interview transcripts, results of the analyses and conclusions. Work-in-progress and results were exposed to the critical comment of my supervisor and his colleagues, fellow researchers within the Open University including at Open University Research Seminars in the period 1997-2000 and the Strategic Policy Workshops within the Management School. Critical comment outside the Open University has been with people and researchers working within the public sector. The results of the case studies were also exposed to comments from the colleges that participated, who all asked for and received feedback on the findings in their own particular cases.

These considerations and the examples of comparable research projects outlined in this Chapter guided the decision on the research design employed in this research project. The objective was to discover the changes that colleges felt they had undergone as a result of incorporation and to discover their approach to strategic change in terms of the conceptual model established in Chapter 2. In order to achieve these objectives it was decided to carry out a survey of all further education colleges in England and to follow this up with detailed case studies. This design included both quantitative and qualitative strands represented on the one hand by the national survey and on the other by the case studies, both constituting an attempt to produce a valid and useful piece of research in its own right within its own tradition. In combination the two strands of this research can be seen as going some way towards addressing the paradigmatic weaknesses of qualitative and quantitative work in terms of generalisability and internal validity respectively.

The response to the survey was not a random sample of the further education colleges in England because the respondents were 'self-selected' in the sense that they were the ones who chose to respond. However, at nearly thirty percent of the population of further education colleges it was sufficiently large to provide a useful description of the views of colleges. The responses to each of the questions were open to quantification and summary largely through the use of proportions and percentages. The questionnaire was designed to provide a general background to the changes that had occurred in order to provide a lead into the detail of strategic change provided by the case studies. The literature review helped in providing a guide to decisions in relation to the research methods, and it also informed the choice of questions to be asked in the survey. The survey indicated a number of key issues and critical success factors for colleges which provided a guide for the further investigation in order to achieve the objectives of the research questions

The literature review helped in improving knowledge of the subject and indicated a gap in the information available which the research project would help to fill. Other studies in further education have researched aspects of strategic change, such as the effects of the FEFC funding methodology, but have not considered strategic change in colleges over the years of incorporation. At the same time the review of the literature into research methods in general and in particular into methods employed in business, management, social and educational research, provided a clear guide on the research methods most likely to achieve the objectives of this project.

3.2 Surveys

National surveys have been used in a range of areas of research into business, social and other areas of interest (Black 1993). The most prominent example has been the ten-yearly country-wide Population Census which is distributed to every household in the country. This has asked households to respond to a range of questions about social and economic factors. Households have been required by the government to return their census forms so that the response rate has been very high. The information obtained from the census has been used to inform a range of social and economic policies and it has provided background information for more detailed investigations and inquiries into matters such as housing problems, transport policies, standards of living and so on.

Most surveys are not supported by a government requirement for their return so that a smaller response rate is to be expected. Hussey and Hussey (1997), argued that postal surveys are *“a commonly used and inexpensive method”* although *“the response rate can be very low. Response rates of 10% or less are not uncommon.”* (p 163) This raises the problem of sample bias because those who respond may have a particular interest in the topic and therefore may not be representative of the population. A major problem of postal surveys is ‘non-response’ and a number of ways of dealing with this have been suggested in Wallace and Mellor (1988), summarised in Hussey and Hussey (1997, p 164) and Moser and Kalton (1971). One way was to follow up on the original distribution of questionnaires in order to persuade people to complete them, another was to compare the characteristics of those who responded with those of the population as a whole and a third was to compare the characteristics of the respondents with non-respondents. Response could

also be encouraged by such methods as the design of the questionnaire (Oppenheim 1966), practical methods such as providing a postage-paid return envelope and also providing incentives to return the surveys.

An example of the use of questionnaires for research into further education is provided by a survey carried out by the Further Education Development Agency (Fletcher 1997) into management in further education.. This was based upon a questionnaire of almost 4,000 managers in the further education sector. All the colleges in England and Wales were invited to participate including sixth form colleges and specialist colleges. Most of the responses were from general further education colleges, which reflected their proportion in the sector. A total of 270 colleges responded (approximately 60% of the total). Questionnaires were returned from a range of staff within the colleges including principals, senior managers, middle managers and teaching staff. This survey showed that there had been a considerable movement in terms of posts in recent years although over two-thirds of the managers who responded had been in a management role for over five years.

Few systematic relationships appeared in the data, although management development was seen as more planned in grade 1 colleges than in the others. Generic management elements were seen as highly relevant to the manager's role, particularly interpersonal skills. Managers did not see themselves as substantially in need of development although many of them attended one-day seminars and felt that they were learning through experience. In general it was found that FE managers did not hold management qualifications and there were considerable differences in view about the importance of acquiring such qualifications. Although this report was

primarily based upon the statistical data from the questionnaire, it was illuminated by a series of college visits when organisational and management development issues were discussed. It illustrated the use of questionnaires in research into an aspect of management in further education, as well as the use of interviews and discussions to follow-up on the conclusions of the postal survey.

A survey carried out in 1995 into “Managing Self-Governing Primary Schools in the Locally Maintained, Grant-Maintained and Private Sectors” (Bell et al, 1996) used a lengthy questionnaire which was sent to the heads of 289 primary schools. These included every primary school which was grant-maintained at that time, a randomly selected group of local authority maintained primary schools and a group of private primary schools. 136 Primary schools replied. This postal survey was designed to find out about the heads of the schools, the characteristics of the schools and experiences in managing the schools. The heads were asked to describe their style of management in terms of ‘authoritarian’, ‘top-down’, ‘collegial’ or ‘consultative’; they were asked about their relationships with their governing bodies and the effects of marketisation and competition on management practice. Once the questionnaire data had been analysed, detailed semi-structured interviews were conducted with 12 LEA, 6 GM and 6 private school heads (24 interviews) who had returned a completed questionnaire.

These interviews were designed to explore further the nature and extent of respondents’ sense of professional empowerment and efficacy including management style and level of job satisfaction. The interviews were also used to obtain additional background information about individual schools and, in particular, the character of

the market environment in which they were set. What was described as the principle of typicality, tempered by considerations of geographical proximity, determined the choice of heads for the interview phase of the research. The principle of typicality was based on heads who were typical of their sector in their responses to the questionnaire, and a smaller group whose responses were atypical. This postal survey illustrated the use of questionnaires to carry out research into educational management and the criteria used for the interviews which followed.

“An Investigation into the Effects of Organisational Change on Occupational Stress in Further Education Lecturers” (Gibbons, 1988) was based on 100 questionnaires and psychometric tests distributed to lecturers employed in FE colleges in the North of England and a further 100 distributed to lecturers employed in colleges in Northern Ireland. The distribution was by carried out as opportunities arose. Colleges in Northern England had undergone changes in college organisation as a result of incorporation, while those in Northern Ireland had not been incorporated and therefore had not been reorganised for this reason. 47 tests and questionnaires were returned in Northern Ireland and 63 in England. The objective of the questionnaires was to identify the extent to which stress was experienced, the factors contributing to stress and the effects of stress. This survey was an example of research to inquire into an aspect of management structure in further education.

A survey on “Grant-Maintained Heads’ Reflections on Opting Out” (Cauldwell and Reid, 1996) was based on a questionnaire sent to the first 499 secondary schools to gain Grant Maintained Status; 222 questionnaires were returned. Heads views were sought on the basis of a choice of answers, such as very important, important or not

important, to inquire about parental involvement and to gain views on bodies such as the Funding Agency for Schools. Most questions asking for opinions were based on a 6-point scale which ranged between important to not important or very pleased to very disappointed. Questions were asked about the reasons for opting out, the main advocates for opting out, the criteria used for student admissions, school finances, external relations, the role of governors, the main benefits and disadvantages arising from Grant Maintained Status. This research was an example of the use of a postal survey to inquire into educational management and also illustrated the use of the six-point scale in its questionnaire.

The use of surveys in previous research indicated the usefulness of this research method in obtaining information on a range of subjects from a relatively high proportion of the population under consideration. The examples of this approach used in educational research were taken into consideration in the decision to carry out a national postal survey in order to discover what colleges thought were the main changes they had experienced as a result of incorporation and the main actions they had taken in order to cope with these changes. The previous examples also showed that the use of a postal survey provided useful information in areas of educational management even with a relatively low response rate. The research was seen to be particularly useful when the postal survey was followed up by interviews in a selected number of cases.

3.3 The use of a survey in this research

The literature review in Chapter 2 provided a conceptual model and theoretical framework for the consideration of strategic change in further education and also

provided an indication of critical key variables. The object of the survey in this research project (referred to as the National Survey or the Survey) was to obtain clarity on the changes that colleges had experienced after 1993 and the strategies they had employed to cope with these changes. Questionnaire design was considered in relation to Oppenheim's (1966) approach in order to insure the relevance of the questions and their clarity. The use of a scale in order to facilitate answering questions was seen as a useful approach (as described in Maranell 1974), particularly with six-points in order to eliminate the option of a completely central position on a scale which could have arisen frequently with a five-point scale. Questionnaires were prepared and sent for revision to a number of experienced researchers. The revised questionnaires were then piloted by being sent to three colleges with a request to complete the questionnaires and comment on them. Comments were asked for and received on the scope of the questions, the way they were asked, their order, the time it took to complete the questionnaire and other points the respondents wished to raise. The comments received in return were positive and encouraging on all of these points and on the overall purpose of the survey. One response was that the questionnaire was only answered because it was asking the right questions. As a consequence of these comments the questionnaire form (see Appendix) and questions were amended.

The questionnaire was then sent to the principal and chief executive of all the general further education colleges (and tertiary colleges) in England which were funded by the FEFC (see Chapter 4). It did not include sixth form colleges or specialist colleges (such as agricultural colleges and art colleges) because they had different characteristics to general further education colleges. They provided a much smaller range of courses than general further education colleges for a smaller range of

students. Students at these colleges were mainly full-time, while in general further education colleges there were very large numbers of part-time students. Most of the students, particularly in sixth form colleges, were aged 16-19 while general further education colleges included the 16-19 age group and also large numbers over the age of 19 and also over the age of 25. Most of the sixth form colleges and specialist colleges were relatively small with only the very largest of them with annual budgets equal to that of the smallest general further education college (see Chapter 1)..

The questionnaires were sent out with an explanation of the purposes of the Survey, a guarantee of confidentiality and a postage-paid return envelope, in order to encourage a good response. After the questionnaires had been sent, reminders were sent to colleges that did not return the questionnaires by the date requested. As a result 28.5% (80 out of 281 general further education colleges) of the colleges completed and returned the questionnaire. The answers to these questionnaires were analysed question by question, and then by cross-referencing questions. The results of this analysis were then considered in terms of the objectives of the survey. At the same time the problem of non-response was considered by comparing the characteristics of the colleges who had not responded with information on colleges in general and with those colleges who had responded. Information was available from the FEFC on a number of factors such as the location of colleges, their size in terms of annual budget and units of funding; while information on the size of colleges in terms of their student numbers was available from the Department of Education and Employment and a range of information on student and staff numbers, sources of income and management performance was available from the FEFC Inspection Reports on colleges. Comparisons between the colleges that did not respond and the

population of colleges did not produce any clear differences and the same was true of a comparison between non-responding colleges and those that had responded.

The colleges that had responded to the Survey included colleges of all sizes, with a wide range of budgets and units of funding, located across the country, in a variety of urban and relatively rural positions and with representative management performances in their inspection reports (including colleges with governance and management grades which showed that strengths clearly outweighed weaknesses and where weaknesses clearly outweighed strengths). In analysing the results, the Survey was found to provide a general view of how colleges saw the changes that had occurred. It identified the changes that have occurred in colleges since incorporation and the reasons for these changes. It also provided some information on the strategies and the actions colleges had taken to deal with these changes. It indicated the views of colleges in terms of their separation from local education authorities and who they considered to be the new college stakeholders. It also showed the main sources of income for colleges since incorporation, changes in organisational structure, staffing changes and the new role of the governing bodies. It identified the main sources of competition for colleges, the main curriculum developments that have occurred in recent years and the impact of new technology. It became clear from an analysis of the Survey (in Chapter 4) that colleges had faced considerable change since independence from the local authorities and had followed policies and carried out actions to deal with these changes. The Survey revealed a range of key issues which suggested a number of critical success factors for colleges.

3.4 Triangulation in the research process

Triangulation has been defined as “*the combination of methodologies in the study of the same phenomenon*” (Denzin 1970, quoted in Hussey and Hussey pp 74) leading to greater validity and reliability than a single research method. Johnson (1994) wrote that “*if you rely on a single source of evidence, there is the possibility that some inaccuracies or prejudices incorporated in that evidence may be slipping by you. If on the other hand different sources of evidence lead to a broadly similar picture, you can have more confidence in your conclusions*” (p 8). Jick (1979) discusses the mixing of qualitative and quantitative methods in order to achieve triangulation. This technique was loosely based on an analogy with land surveying and navigation. In order to fix a position on a map a bearing could be taken on a known point, a line could be drawn on a map and an attempt made to keep along or close to that line. The degree of error would be unknown. Bearings on two known points would provide intersecting lines on the map which would provide more accurate information on the position on the map, while bearings on three points would provide greater accuracy. The three points would not necessarily intersect exactly but near the point of intersection a triangle between the three lines would be observed the size of which indicated the degree of error in the bearings.

Triangulation is introduced into a research process in order to overcome the potential bias of a single method approach. Hammersly (1993) suggested that the key role of triangulation was not only to check the truth or validity of the data, but to investigate the validity of inferences drawn from them. Triangulation could be achieved by using data relating to the same phenomenon but derived from different sources and by comparing data produced by different data gathering techniques. In this research, the

National Survey followed up on information obtained from a study of documents such as the those concerned with incorporation and FEFC funding data, and it also followed up on the propositions arising from the literature review and the theoretical framework. In order to develop different data gathering techniques for primary data it was decided to consider the use of case studies following on from the examples described above of the use of case studies in comparable research projects.

3.5 Case studies

Yin (1994) has suggested that the case study *"continues to be used extensively in social science research"* (p xiii) because of its strength as a research method. These strengths arise from a clear understanding of the objectives of the research translated into the questions that are asked and the data analysis. Case study questions have been usually based on 'who', 'what', 'where', 'how', and 'why' basis and to discover how these changes had been made. Johnson (1994) stated that case studies provided *"a good use of the resources of people and time"* and enable the dynamic of institutional processes, and individual relationships, to be monitored and appraised (p 106). She suggested that *"case studies provide a data base for analytic description of components and processes and for model-building"* (p106) and *"the case study approach has one of its strengths the ability to explore diversity of practice"* (p 107) and that *"some comparable elements should form part of each case study examined."* These elements included the range of techniques employed, such as observations, semi-structured interviews and the study of documents. The use of case studies in management research has been described by Otley and Berry (1994) and Scapens R (1990), in administration by Towl (1969) while Feagin, Orum and Sjoberg (1991), Lucas (1974) and Yin (1993 and 1994) argue for the case study approach in general.

Simons (1996) argued that *“by focusing in depth and from a holistic perspective, a case study can generate both unique and universal understandings”* (p 225).

An article by Lloyd C Harris (1999) in Long Range Planning, described the use of semi-structured interviews in case studies as providing *“a means through which data-driven theory can emerge from organisational reality rather than be forced from literature-based deduction.”* (p 119). This article continues by stating that interview techniques have the ability *“to obtain the ‘richest’ data within the prescribed limits of the research”* (p 119). Harris wrote that these techniques have the major advantage of flexibility and achieve a high response rate on requests for interviews. The interviewer could control the response environment and the order of discussion, while at the same time it was possible to discuss complex topics and therefore provide ‘rich’ and ‘complete’ data. Also participants were able to describe and explain their opinions using their own language and jargon. Powney and Watts (1987) have discussed similar points in educational research.

In research into school governing bodies in 1984 described in Johnson (1994), the first stage in each case study was a general examination of current educational and political issues in the LEA through the study of documents. Interviews were carried out with the chairman of the governing body, most of the governors, the headteacher and other staff at the school. The validity of the case study mode was tackled through cross-checking through the use of the different research techniques (interviews, observation, study of documents). The criteria for selecting governing bodies was made based chiefly on four criteria: type of local education authority (in terms of county, metropolitan and outer urban), political culture of the local authority (labour

or conservative), type of school (age range), access to the governing bodies. The access to governing bodies was personally negotiated with the headteachers and chairman of governors. The interviews in these case studies were recorded in note form by the researcher concerned and typed up. Interviews lasted from 40 minutes to over two hours and were based on a checklist of items to be covered.

This research illustrates the use of case studies to inquire into educational governance. It also illustrates the use of triangulation and cross-checking by using a variety of research methods, as well as the type of criteria used for selecting the interviewees. A small-scale research project was undertaken by Drodge and Cooper in Bennett, Glatter, Levacic (1994, p 205-217) which investigated how a number of newly independent colleges of further education managed strategic planning. The researchers were interested in finding out how college managers planned in a situation where they had the responsibility to plan rather than to inform, where they no longer had to put into operation local education authority planning, where the environment had changed rapidly and perhaps differently from college to college, and where the FEFC had established a common national framework for planning.

The three colleges which were selected for the study were chosen to enable “a snapshot of actual strategic planning practice to be gained.” The colleges illustrated different aspects of the FE sector, although they were not claimed, or intended, to be a representative sample. Two of the colleges were chosen because of the published views of their chief executives on managing change in their institutions. They were seen as representing different styles of management which it felt might impact on the process of strategic planning in different ways. Both were small to medium in size so

a third larger college was selected in order to observe strategic planning in a larger organisation. All three colleges were located in urban areas, all three had a broad range of vocational provision and in one case there was pressure from a highly competitive environment, with a number of other colleges in the vicinity. Two of the chief executives were described as long-serving, while one had joined the college a year before the research took place.

The primary intention of the study was to gain a comparative perspective on strategic planning across three different FE institutions. The main means of investigation was provided by a series of structured interviews. Preliminary research drew on current FEFC publications in relation to college strategic planning and general management theory on strategic planning. This helped in determining an investigation method and establishing criteria for the analysis of findings. Pilot interviews were carried out with two senior college managers and as a result of an analysis of the interviewees' comments and responses the interview questions were adapted. Interviews were carried out with the chief executives of two colleges and the senior manager responsible for planning in the third college. Three further interviews were carried out with a member of staff of differing status and responsibility at each of the colleges (a total of six interviews plus two pilot interviews).

This research project was concerned with a particular aspect of management in further education colleges which was the planning process in colleges. The main conclusions of the research were about the structured approach to planning that colleges had introduced, clear corporate objectives, a monitoring process and the role of the chief executive as a leader in the process. It provides an example of the use of

interviews in a case study to inquire into an aspect of management in further education in the period of corporation. It also illustrates the type of criteria used to select case studies. My research project was concerned with strategic change and ways in which colleges had coped with it. The object was to have a wider picture than the Drodge and Cooper research had had and to look at the subject in more detail. The successful use of case studies in their research suggested that their methods could be used in a wider and more detailed study.

This view was further reinforced by consideration of the research project "Learning Funding: The Impact of FEFC Funding, Evidence from Twelve FE Colleges" (Leney et al, 1998) which reported on research carried out for NATFHE and the University of London, Institute of Education, Post-16 Education Centre. *"The primary source of data for this report was a series of interviews conducted with teachers and managers in a sample of twelve further education colleges"* (p 2) The FE colleges were selected on the basis of their unit of resource position, as reported through college Average Level of Funding (ALF) and published in the FEFC funding allocations for 1995-96. The second criteria was the colleges' geographical position: *"inner city, suburban and rural colleges formed part of the sample"* (p 2). A range of academic staff from *"senior managers to main grade lecturers were interviewed, using a semi-structured interview schedule"* (p 2).

The Leney et al research project explored *"the perceptions of teachers and managers in 12 further education colleges concerning the impact of the funding methodology on teaching and learning in the colleges, and on the curriculum"* (p 37). It reached a number of conclusions which indicated that the research methodology had been

successful in its main objectives, illustrated by the overwhelming call by the interviewees for a simplification of the FEFC funding mechanism. It illustrates the use of case studies to consider an aspect of further education management, the use of semi-structured interviews to interview senior college managers and a range of other staff and the criteria used for the selection of the case studies.

A more recent research project followed-up on the previous one by inquiring into “The Impact of FEFC Funding 1997-1999: 14 Colleges” which was again carried out by NATFHE and the Institute of Education, (McDonald and Lucas, 2000). It was based on 14 colleges *“spread across England and including inner city, suburban and rural colleges, two sixth form colleges and an agricultural college”* (p 2). The research focused on *“the effects of the FEFC funding methodology upon colleges and the further education curriculum during the period immediately following the crisis in 1997 over the demand-led element of funding”* (p 374). The fieldwork was undertaken over the winter of 1996/97 and was based on interviews in the same way as the previous research project.

A survey of “Professional Perceptions of Bureaucratic Change in the Public Sector: GPs, Headteachers and Social Workers” (Farrell and Morris, 1999) was carried out to consider the reforms of the bureaucratic structures of governance with the aim of promoting a more market-orientated approach. The evidence was based on interviews conducted during 1998 with 32 professionals working in South Wales, 14 from the education sector, 11 from social services and 7 GPs. It was felt by the researchers that conducting this research in 1998 meant that the market-orientated policy reforms had been in operation for long enough to be evaluated. Further information on the nature

of the interviews was not available in this article. It concluded that far from reducing bureaucratic tendencies, the reforms have created additional workloads, heightened the tensions surrounding the meeting of client needs and the management of resources and led to more, and not fewer, tiers of management. The project illustrates the use of interviews across the public sector to inquire into aspects of management in the sector.

Hussey and Hussey 1997, considered that: *“a case study is an extensive examination of a single instance of a phenomenon of interest and is an example of phenomenological methodology”* (p 65), it was a research study which focused on understanding the dynamics present within a single setting. Their view was that case studies can be described as exploratory research used in areas where there are few theories or a deficient body of knowledge. They quote Scapens (1990 p 259-281) who suggested a number of types of case study. There were descriptive case studies where the objective was restricted to describing current practice; illustrative case studies where the research attempted to illustrate new and possibly innovative practices adopted by particular companies; experimental case studies where the research examined the difficulties in implementing new procedures and techniques in an organisation and evaluating the benefits; and explanatory case studies where existing theory was used to understand and explain what was happening.

As underlined by Hussey and Hussey (1997, p 66) the characteristics of case study research and the case studies in my project was not only to explore certain phenomena, but also to understand them within a particular context. Hussey and Hussey (1997) felt that case study research could follow a more positivistic approach

which would start with a strong theoretical foundation and specific research questions and this reflected the use of case studies in my research which started with a theoretical framework and a checklist of questions. The main stages in the use of case studies are identified in Hussey and Hussey (1997, pp 66-67):

- selecting the cases - they did not have to be representative because there would not be an attempt at statistical generalisations to show that it was possible to generalise from the sample to the larger population. However, theoretical generalisations could be attempted where it was proposed that the theory applied to one set of circumstances could be generalised to another (see also Yin 1994 p 10). A number of cases would show whether a theory could be generalised or would need to be extended and modified
- preliminary investigations - the process of becoming familiar with the context in which the research was to be conducted,
- the data stage - archive searching, interviews, questionnaires and observations,
- the analysis stage - choice between within-case-study analysis (it was essential that there was total familiarity with the material in order to build up separate descriptions of events, opinions and phenomena which could be used to identify patterns) or cross-case-study analysis (similarities and differences could be identified to help identify common patterns),
- the report stage - description of the study, source and number of subjects in the study, explanation of the appropriateness of the research instruments, description of the data collection methods, description of the methods of data analysis. This stage could also include an overview of the significant findings of the study, consideration of the findings in light of existing research studies, implications of the study for current theory, a careful examination of findings that failed to support or only

partially supported the hypothesis, limitations of the study that might affect the validity or generalisation of the results, recommendations for further research, and the implications of the study for professional practice or applied settings.

The weaknesses of case study methods were identified in Thomas, Chataway and Wuyts (1998 p 16) to include access to suitable organisations, the fact that process of case study research was time consuming, and the possible difficulties there might be to decide on the delimitations of the study, or where boundaries were to be placed. They suggested that it was important to understand what went before a particular period of time and what might follow, that a case would have a history and a future which would influence the understanding of the present (Thomas, Chataway, Wuyts: 1998). They commented (pp 308-310) on the analysis of Langrish, J (1993) who suggested four main aims for case study research:

- to develop labels for a classification scheme
- to look for principles underlying a taxonomy
- to look for movement through time: for example, how things adapted, how control was exerted
- to unravel causation, especially relations between purposeful behaviour by several actors or agencies.

Thomas et al (1998) argued that *“the way to understand how different cases differ is to observe in detail how they survive, in other words their internal workings and their relationship with their environment. Each different type is associated with a different answer to the ‘how?’ question and with a different pattern of causal relationships. This type of reasoning can be applied to many different contexts: how different firms succeed in different competitive environments, how households survive by adopting*

different livelihood strategies in response to policy changes... ” (Thomas et al, p 309)

“By studying a sample of the members of the population and analysing the results, you make a statistical inference about the properties of the population as a whole” (p 311)

“If...you have research questions about how and why firms react in different ways to the new policy regime, which requires looking within firms at how strategy is formulated, then you may prefer a number of more detailed case studies of firms and their inner workings” (p 311).

They argued further that *“what you can do with case studies is theoretical generalisation. If you have a theoretical idea about how success is the outcome of the interrelationship of certain factors or influences for example, and if this idea succeeds in explaining your case studies, then you can make general explanatory statements that apply to all cases where the interrelationships are similar.” (pp 323-324)*

Challenges had either to claim that the case studies were misinterpreted or by saying here is a case where that does not apply. To be carried out in a similar way, case study design had to be theory-led, ideas had to be worked out before it was decided which cases to study. The main point of case studies was to put together a coherent explanation, or story. *“You identify the major actors and get their stories, to see if an overall version emerges in the form expected” (Thomas et al, p 327).*

Thomas et al (1998) suggested (p 211) that if *“you have research questions about how and why firms react in different ways to the new policy regime, which require looking within firms at how strategy is formulated, then you may prefer a number of more detailed case studies of firms and their inner workings.”*

The examples and analysis of the research process helped in developing my research project and these arguments were important for consideration of the conclusions from the results of my research. The use of a national survey in order to obtain information, relatively inexpensively, from a wide range of people was illustrated by the FEDA (1997) survey which showed the usefulness of this method in discovering information in further education management. Educational management was also the subject of the BEMAS survey of heads of primary schools (Bell et al, 1996). The research by Chris Gibbons (1998) was an example of the survey method using a questionnaire on an aspect of management structure in further education, while Cauldwell and Reid's (1996) research sent to secondary heads was an example of the use of a postal survey to inquire into educational management. It also illustrated the use of a six-point scale in the structure of questions. The research described by Bell et al (1996) followed up the analysis of the postal survey with semi-structure interviews in order to obtain more detail with additional information and background material illustrated the use of more detailed case studies following on from the results of a postal survey. This research followed the stages identified by Hussey and Hussey (1997) and the analysis of Thomas et al (1998)

3.6 The use of case studies in this research project

The review of comparable research and the consideration of the theory of research method all helped to inform decisions about the use of case studies in this research project in order to consider the proposition that to be successful colleges had to have strategies which enabled them to cope with changes in their environment (see also Chapter 5). It was important that the research process used could investigate what strategies college management had employed in the circumstances of the post-1993

period and how they had managed strategic change in order to consider the conceptual model discussed in Chapter 2. The National Survey provided an outline of the changes that colleges had faced from the point of view of the senior management of the colleges and how they had coped with these changes. It also made it possible to identify critical success factors and key issues which helped in developing the case studies. These were designed to provide a detailed picture of the strategic changes from the point of view of senior managers and other staff in the colleges.

The case study inquiry made it possible to cope with the technically distinctive situation in which there were many variables of interest, where there was a reliance on multiple sources of interest, with data needing to converge in a triangulating fashion. It benefited from the prior development of theoretical propositions to guide data collection and analysis. *“The essence of a case study, the central tendency among all types of case study, is that it tries to illuminate a decision or set of decisions: why they were taken, how they were implemented, and with what result”* (Schramm, 1971 quoted in Yin 1992, p 12). While the National Survey could concentrate on the ‘what’ and ‘who’ questions the case studies could concentrate on ‘how’ and ‘why’ questions and had the strength of being able to rely on a full variety of evidence, including documents and systematic interviewing. In this sense the literature review and the National Survey helped to develop questions in the case studies that were sharper and provided greater insight. The research design was based on developing a theoretical framework and conceptual model, identifying the questions to be asked, designing a data collection methodology, conducting the research, producing individual case reports, drawing cross-case conclusions and

theoretical modifications (illustrated in Figure 3.1 below with the main chapters in which the different areas are covered).

Triangulation between the Survey and the case studies was central to the overall research design. The case studies followed on from the results of the National Survey, following up on the key issues raised in the Survey based on the theoretical framework and investigating in greater depth into the critical success factors. At the same time it was important that the range of interviews carried out in each case study provided for a degree of 'triangulation' within them so that similar questions were asked to people in different positions in the colleges in order to consider the validity of the responses. This was made possible by using a semi-structured interview design, based on a checklist of items to be covered so that each interviewee was asked similar questions on the same range of topics. This enabled the same policies and actions within a college to be considered from a number of different points of view. The response rate of between a quarter and a third of the population to the National Survey in my research (see Chapter 4) was felt to be a sufficient range of responses from a sufficiently wide spread and variety of colleges to be representative of the experience of general further education colleges. The colleges that responded to the questionnaire included colleges of all sizes, with a wide range of budgets and average units of funding, with a variety of levels of competition, spread across the country, in a wide range of locations.

The examples of methods used in similar research projects were important in selecting the methodology to be used in my research and in the structure of the methodology in areas such as piloting the National Survey and the use of case studies,

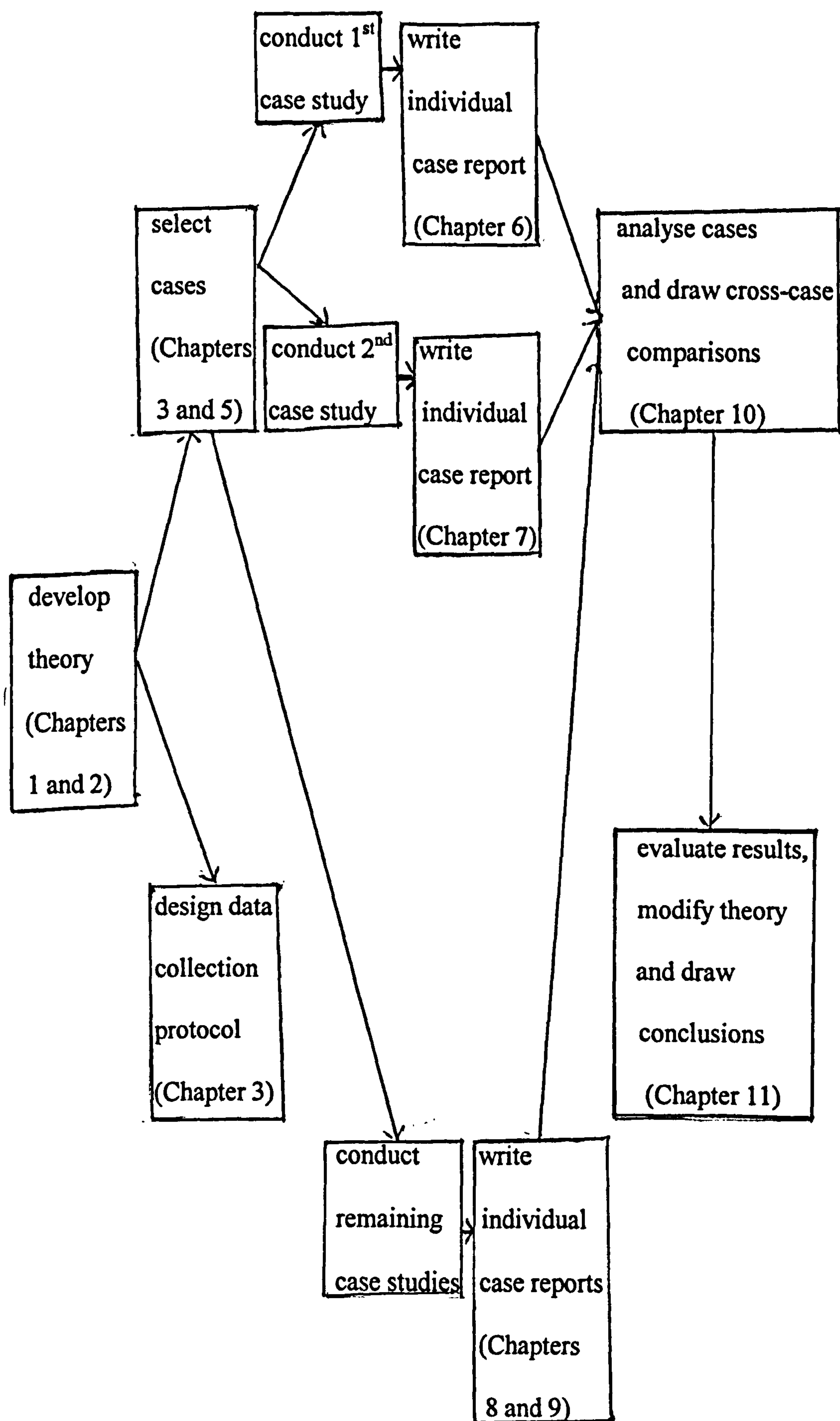


Figure 3.1 Case Study Method (based on Yin 1994 p 49)

the structure of questions and the selection criteria for case studies. After consideration of all the information available it was decided that the important criteria for selecting the case studies were to have colleges in different geographical locations, in different FEFC regions, of different sizes based on student numbers and budget, and with different average level of funding (ALF) and willing to take part in the research (discussed in more detail in Chapter 5). Information was brought together on all the colleges who replied to the national survey and colleges were then selected on the above criteria. The purpose was to have a sufficient number of case studies to illustrate different approaches to the same external changes. Six colleges were approached who all fitted the selection criteria and from these four were selected which varied in respect of the main criteria for selection. The other two colleges were kept in reserve in case it was decided that more case studies were required. Two interviews were carried out (with the Principal and the Director of Finance) in one of these colleges in order to pilot the checklist of questions and check the interview approach, (see also Chapter 10 for a discussion of the number of case studies). The four colleges that were approached provided full co-operation with the case study process.

In practice, the four colleges that were included in the case studies provided comparisons in other areas as well as in terms of the above criteria (see Chapter 5). They had different experiences with the local authorities that had controlled them before incorporation, and they had different experiences in relation to competition. It was considered that these four colleges provided a sufficient number of case studies to illustrate different approaches to the same external changes (this is discussed further in Chapter 10). They enabled the exploration of a diversity of practice. In

relation to the analysis by Thomas et al (1998) and Hussey and Hussey (1997) this selection of case studies were felt to be descriptive in the sense of enabling current practice to be described; they were illustrative in the sense that they illustrated different approaches to the same problems; they were experimental in the sense of examining the difficulties in implementing new policies and procedures; and they were explanatory in the sense of enabling existing theories of strategic change to be applied in understanding what was happening. They were not representative in terms of enabling statistical generalisations because they were not a random sample of all colleges. They did enable theoretical generalisations to be attempted so the theoretical framework established in Chapter 2 could become the vehicle for generalising to new cases and if some of the empirical cases did not work as predicted modification could be made to the theory. Each subsequent case study could reinforce the theory, extend its application or provide a modification.

The case studies were chosen so that they differed from each other in significant ways and there were a sufficient number to illustrate different approaches to the same external changes. At the same time a sufficient number of interviews (11/12 in each college) were carried out in each college, with a sufficient range of interviewees (the principal, finance director, personnel director, curriculum manager, governors, middle managers, junior managers, lecturers, union representatives) to provide a broad picture of the college's actions and policies. Triangulation was achieved by comparing the results of the interviews with the results of the National Survey, and with other documentation such as that provided by the FEFC as well as the strategic plans and other reports and documents provided by the colleges themselves. Triangulation was also assisted by asking all intervieweeskh similar questions from a

checklist of items on the same range of topics. Different views were expressed on the same action or policy within a college, so that for example aspects of marketing were seen differently by the various people interviewed in the same college and it was also described differently in college documents than it was in the interviews. The semi-structured interview design provided the opportunity to follow up on particular answers and to alter the structure of each interview to some extent to suit the needs of staff with different roles within the college and at different levels in the college organisation.

Eisenhardt (1989) has argued that case studies were a good means of building concepts and theories in organisational research, and the research methods described in this thesis enabled the objects of the research project to be achieved. The results of incorporation on general colleges of further education were investigated, the strategies employed by colleges to cope with these changes were examined and the results of this research made it possible to consider these strategies in terms of the conceptual model developed in Chapter 2, with theories of strategic change and the consideration of theoretical propositions .(Chapter 11).

Chapter 4 The National Survey

4.1 The Survey

In order to achieve the objectives of this research project it was decided to carry out a National Survey to discover what the senior management of colleges in general thought were the main strategic changes they had experienced as a result of incorporation and the main actions they had taken in order to cope with these changes. Draft questions were prepared and discussed with experienced researchers before they were included in a pilot questionnaire. This was sent to a number of college principals and chief executives and as a result of their answers the form was amended. The questionnaire was then sent to the principals and chief executives of all the general and tertiary colleges in England (281), with a covering letter explaining the purpose of the survey.

The Survey was sent to the college principals because the senior management of colleges were the people who would be able to answer the questions that were posed. The questions were concerned the changes that had occurred after 1993 from the point of view of the colleges, the causes and the effects of the changes and how well they had coped. If the Survey had been sent to another senior manager it would in most cases have been referred to the principal as the chief executive and by sending the Survey to the principals they were able to decide who was the appropriate person to complete it. At the same time it was important to approach the principals of the colleges in order to obtain agreement for follow-up interviews with a range of college staff.

A total of 80 colleges responded to the National Survey which represented 28.5% of all general further education colleges. In order to judge whether or not this response was sufficient to meet the objectives of the research, the colleges who responded were compared in terms of size (based on full-time equivalent enrolments and size of budget), their unit of funding and their geographical location. It was found that the sample included colleges of all sizes, with a wide range of budgets and units of funding and that they were located in all regions of the country in a variety of urban and relatively rural locations. At the same time comparisons between colleges that did not respond to the Survey and those that did, did not produce any clear differences and the same was true of comparisons between non-responding colleges and the population of colleges in general (a copy of the National Survey form is included in the Appendix). As a result of the spread of responses and the comparisons with colleges in general, it was considered that the Survey had met its objectives in providing information on colleges own views about the strategic changes they had experienced as a result of incorporation and some of the actions they had taken to deal with these changes.

4.2 The results of the National Survey

The Survey was divided into a number of sections on college management and organisation in order to provide information in the areas of the propositions raised in the research projects. The first section asked for statistical information about the college in order to ascertain its size in terms of its budget and the number of students and staff. This was followed by a section asking about the causes of change in the college in recent years, the changes that had been made in the college, and who was responsible for deciding on the changes. A section on

incorporation asked about how well the college had coped since 1993 and college stakeholders and a section on college funding asked about college income. Other sections included questions about the college organisation and staffing changes, the role of the governing body, curriculum development and information technology. Further sections asked about college strategy and its formation, college competition and the future of the college. The main sections included in the Survey were:

- the causes of change
- college funding
- the results of incorporation
- competition and marketing
- curriculum developments
- consultation
- stakeholders
- organisational changes
- the role of the governing body
- information technology
- strategic plans
- the future

The responses to each of the questions were aggregated in order to provide the following summary.

4.3 Summary of the responses to the National Survey

4.3 (i) The causes of change

The results of Question 1 showed that all colleges felt that the funding mechanism had been the most important **cause of change** since incorporation.

What have been the main causes of change in the college?

(Question 1)

	Very or extremely important (%)	Not important (%)
FEFC funding	100	0
Incorporation	92	2
Competition	87	13
Curriculum development	77	23
Information technology	67 (important)	33

Figure 4.1 Causes of change in colleges of further education

The importance of college funding shown in the result of Question 1 was illustrated by the result of Question 9 which showed that most colleges felt that the FEFC was an important stakeholder in the college with 83% considering it to be very or extremely important. The importance of FEFC was emphasised by the finding that a quarter of colleges received over 80% of their income from the FEFC (Question 13), while 68% of colleges received between 60% and 80% from the FEFC with only 7% receiving below this percentage. There were a variety of other sources of income for colleges (Question 14), such as fee income, income from the provision of higher education, the local TEC and the provision of short courses. These were small sources of income for colleges compared to the FEFC.

4.3 (ii) College funding

Financial pressures were the most important reasons for colleges changing their organisational structure since incorporation (Question 15) and nearly all colleges had employed a qualified accountant from 1992/93 (Question 20). There was a divergence of view as to whether colleges were financially better or worse off since incorporation (Question 12) with 37% feeling that they were better off, 21% much the same and 42% feeling worse off. All colleges felt that meeting their financial and budget targets were the main ways that the success of the college was measured and that this involved meeting funding unit targets (Question 27). The responses to the main changes made in the colleges after incorporation (Question 2) also emphasised the importance of funding, overall changes in funding being considered the main change made in the colleges followed by changes in staffing levels. These changes were felt by colleges to be the result of new funding (Question 3).

4.3 (iii) Incorporation

Incorporation was considered to be the second most important cause of change in colleges with only 2% of colleges considering it not to be very important. The change in the funding of colleges was a part of this, but incorporation also meant that colleges became responsible for their own management and their own survival. Most colleges felt they had coped very well or extremely well with incorporation (Question 8) with only 9% feeling that they were not coping well with incorporation (Figure 4.2 below).

How well has the college coped since incorporation? (Question 8)

Extremely well	Very well	Well	Not coping	Total
36%	46%	9%	9%	100%

Figure 4.2 How well colleges have coped with incorporation

Although 91% of colleges felt that they were coping well with incorporation, slightly more at 93% of colleges felt that the move away from local government control had been an advantage in terms of managing the college (Question 6), while 72% considering it to be a considerable or very considerable advantage (see below). This advantage was seen particularly in terms of financial control, personnel management, building maintenance and marketing (Question 7). There were 9% of colleges who felt that they were not coping well in one or more areas of management and were not sure that the move away from local authority control was an advantage. There were a few other colleges who felt that the change had been an advantage even though they were not coping well in all areas of management (Questions 7 & 8).

91% of respondents felt that they were coping well with the results of incorporation in general (Question 8), although 9% felt that they were not coping well in any of the major management functions and there were a number of others who felt that while they were coping well in general, they were not coping well in every function. 18% of colleges felt that they were not coping well financially, including

Has the move away from the local education authority been an advantage? (Question 6)

Very strongly agree	Strongly agree	Agree	Disagree
40%	32%	21%	7%

Figure 4.3 The move away from the local authorities

5% who were coping badly. 11% were not coping well in terms of personnel management, 12% were not coping well with managing their own building maintenance and the same percentage were not coping well in organising their own marketing. The number of colleges not coping well financially was a close reflection of the national figure which has been around 20% for some years after incorporation. In a report in Guardian Education (2001, p 4) the Chief Executive of the Association of Colleges reported that *"a worryingly high proportion"* of colleges - *"close to 20% when last reported - remain financially vulnerable"*. However most colleges felt that the move to incorporation had been an advantage in all the main functional management areas (Question 7) as indicated in Figure 4.4.

As compared with local authority control, has incorporation been an advantage of disadvantage in terms of the following functions?

(Question 7)

	an advantage (% of colleges)
building maintenance	85
personnel management	88
financial control	90
marketing	85
course development	69
student services	61

Figure 4.4 The advantages of incorporation compared to local authority control

4.3 (iv) Competition and marketing

87% of colleges considered that **competition** was one of the main causes of change since incorporation with 30% considering it to be extremely important (Question 1). One of the government objectives in the incorporation of colleges was to increase the efficiency of colleges through an increase in competition for resources. The results of the questionnaire confirmed that this had happened. 96% of colleges felt that competition came from other FE colleges, 90% felt that there was also competition from local sixth forms, 82% thought it also came from private training

organisations and nearly fifty per cent of colleges felt that the local TEC provided competition to them (Question 35):

Competition to colleges (Question 35)	
	% of colleges who had competition from
FE colleges	96
School sixth forms	90
Private training organisations	82
Local TEC	49

Figure 4.5 Competition to colleges

Competition was of particular importance because student enrolments were so closely linked to the funding mechanism. In most colleges the marketing budget had increased since incorporation (Question 37) and in 71% of colleges a marketing specialist had been employed, although the seniority of the appointment was not clear. In many cases this was from 1990/91 when the Local Management of Colleges was becoming well established (Question 20) because at this time colleges had greater control over their budgets than previously and they were able to consider methods of competing with school sixth forms and other colleges.

4.3 (v) Curriculum developments

Curriculum development included the introduction of new courses and the removal of others, the move towards modular programmes of study, the development of short training courses linked to increasing non-FEFC income and

the introduction of information technology to teaching programmes. Curriculum development was a factor in the consideration of change in colleges partly because of national alterations in qualifications and changes to the curriculum, but also because of the efficiency savings required by the FEFC as a part of the funding process. Colleges had to decide on the viability of courses and to develop new arrangements for curriculum delivery in order to achieve economies.

Curriculum development was the fourth most important reason for changes taking place in colleges since incorporation, with 77% of colleges considering it to be an important factor. Many developments in the curriculum were not linked to incorporation although some of them had coincided with the introduction of incorporation. Colleges did not distinguish between developments which had been caused by incorporation and those that would have occurred in any case. However, qualifications such as NVQ and GNVQ were being introduced on a nation wide basis from the early 1990s. At the same time the introduction of the Local Management of Colleges followed by incorporation enabled colleges to develop or close courses and programmes and to develop the curriculum in other ways.

All the colleges had developed NVQ and GNVQ programmes in the previous four years, 82% had developed HNC/HND courses, 55% had introduced aspects of degree courses, 89% had introduced a programme of short courses (Questions 36 and 37). At the same time all colleges had introduced aspects of modularisation with 38% introducing modular programmes in all curriculum areas. 28% of colleges had closed major areas of the curriculum, 40% of these closures being in engineering. 55% of colleges had not closed any major areas of the curriculum,

while 17% did not answer this question (Question 39). 22% of colleges had a widespread use of computers on all programmes and courses, 50% of colleges had some use of computers on all programmes and courses, 9% had little use of computers on any programmes or courses, while the rest had some use of computers (Question 43). 62% of colleges had computerised learning centres.

4.3 (vi) Consultation

95% of colleges thought that senior management had played a very or extremely important part in the changes (Question 4). Governors participated in the changes in all the colleges, they fully participated in 80% of the colleges while in 20% of in colleges they were involved to some extent. In 78% of colleges teaching staff were involved to some extent in the changes that had taken place, while in 22% staff were not very involved or were simply told of decisions (Question 5). In 74% of colleges non-teaching staff were involved to some extent in a process of consultation. In most colleges (60%) both students and employers were not very involved in consultation on changes, in the others there was some consultation.

4.3 (vii) Stakeholders

Colleges were asked (Question 9) about the stakeholders of their institutions, the main groups who had a strong interest in it and its future. In general, they felt that college students, staff and the FEFC were extremely important stakeholders in the college, with the local TEC, employers, the local education authority and the local university much less important. The prominence of the FEFC as a stakeholder was to be expected given the importance of finance as a factor in strategic change for colleges. The importance of college staff as stakeholders was emphasised by the

need in colleges to change staff contracts and conditions of service as a result of incorporation and as well as to deal with the pressures created by the new financial regime.

Who in your opinion are the stakeholders in the College? (Question 9)

% of colleges who felt that different stakeholders were important or not:

	very or extremely important	not very important
college staff	86	14
college students	56	44
FEFC	83	17
employers	77	23
local TEC	60	40
local authority	46	54
local university	42	58

Figure 4.6 College stakeholders

4.3 (viii) Organisational changes

The organisational structure of colleges was changed in response mainly to financial pressures and the effects of incorporation although curriculum changes and competition was also factors in the changes (Question 15). The main changes were in the formation of teams, sections and programme areas in some cases to replace departments (Question 16). Three-quarters of the colleges employed fewer full-time teaching staff than at incorporation while a quarter employed more, while more than half employed fewer part-time staff. Four-fifths employed more

administrative staff and the same proportion employed fewer senior managers (Question 22). All the colleges had had redundancies through natural wastage in the previous years and 80% had had involuntary redundancies (Question 23).

Most colleges had reduced the number of layers of management since incorporation (Question 17), some colleges had abolished vice-principal posts, others had abolished the post of senior lecturer and many had abolished departments and head of department posts. In most colleges there had been a decrease in senior management since 1993, although in a few there had been an increase (Question 16). Most colleges felt that management training for the principal was not very important (Question 21) nor for vice-principals but it was felt to be important for other senior staff and very important for middle managers. Most colleges had based their organisational changes on curriculum/programme areas (Question 18) and these tended to coincide with cost centres. Market segments had played a small part in restructuring. Nearly all colleges had appointed a professional accountant from just prior to incorporation (1992/93) and a professional personnel manager from soon after this (1994/95). Just under a third of colleges employed an architect/surveyor and a fifth had employed a management information systems manager since 1993. In general, colleges had made changes by moving to an organisation based on programme areas and teams, with fewer senior managers, a considerable reduction in the number of senior lecturer posts and an increase in the number of administrative staff. Colleges were asked to characterise the organisation of their colleges (Question 19) and most of them characterised their organisation as based on teams. Most colleges would not describe themselves as centralised.

4.3 (ix) The role of the governing body

The composition of governing bodies had to change as a result of the 1992 Further and Higher Education Act. The maximum size was limited to twenty and there had to be a majority of independent, business members, while local authority representatives could not be members. In most colleges (85%) the clerk to the governing body was a full-time member of staff who could be a senior administrator, the principal's secretary or in a few cases the college vice-principal.

What is the role of the governing body? How important is it the governing body in providing support? (Questions 32 and 33)

% of colleges who felt that their Governing Body's roles were to:

Defining college policy	93
Monitoring the implementation of policy	96
Appraising management performance	95
Proving advice and support	84
Accountability to the FEFC	72

Figure 4.7 The role of college governing body

The results of the Survey (Questions 32 and 33) showed that most colleges felt that their governing body was responsible for defining college policy, monitoring the implementation of policy and appraising management performance. There was also a strong feeling that governing bodies could play an important role in providing advice and support to senior managers, particularly in terms of finance and accounting, personnel, building works and employer links. It was also recognised that governing bodies were important in terms of accountability to the FEFC. The role of college governing bodies as seen by the colleges is summarised in figure 4.7.

4.3 (x) Information technology

Most colleges felt that it was important or very important to develop a computerised management information system as a result of incorporation, in order to produce the information required by the FEFC, but most of them had experienced difficulties in establishing an effective system (Questions 40, 41, 42 and 43). Prior to 1993 local authorities had provided information technology for financial and personnel matters related to the colleges, while after 1993 the colleges need to organise more complex systems which included student records so that they could claim FEFC units of funding. The difficulties arose mainly because of a lack of effective systems but was also because of difficulties raised by changes in the funding mechanism, difficulties in staffing and the problem of costs. These factors were felt to be combined in different ways to provide important problems in the implementation of MIS.

What have been the difficulties in establishing a Management Information Systems? (Question 42)

	(% of colleges experiencing difficulties)	
	Important problems	Not important
Lack of effective systems	89	11
Changes in the funding mechanism	80	20
Staffing difficulties	74	26
Cost	68	32

Figure 4.8 Problems in establishing a management information system in colleges

4.3 (xi) Strategic plans

Strategic plans were required by the FEFC for all colleges in order to obtain funding. These included details of college targets with a particular emphasis on target student/unit numbers. Colleges had to produce targets for every academic year and their funding was effected in future years if they do not meet targets. At the same time if they exceeded targets extra funding was not always available, so that predicting a precise target was an important element of college strategic plans. Prior to 1993 local authorities had provided college budgets based on a relatively simple calculation of student enrolments.

In all the colleges the Principal and senior staff were responsible for co-ordinating the detail of the strategic plan (Question 24). The Chair of Governors was not usually involved in this detail., however in 85% of colleges the Principal and Governing Body decided on overall strategy. Senior college staff were involved in overall strategy in just over half the colleges and in a third middle managers were involved (Question 25). The influence of the local Training and Enterprise Council (TEC) on the strategic plans of colleges (Questions 10 and 11) was felt to be limited. While 60% thought there was some influence, 40% felt that the local TEC was not very important, and although most (83%) colleges felt that co-operation was good with the local TEC, very few thought it was extremely good.

The Principal and senior staff were the most important people in setting target student numbers in most colleges (Question 26), while programme areas or faculties or sections were also involved as well as course teams (Question 28). Colleges also took account of competition and the job market. The success of colleges was largely based on meeting financial/budget targets and on meeting student/unit targets and this was reflected in the importance of funding in determining college strategy. Three-quarters of colleges also used examination and assessment success as a measure of success and more than three-fifths also used retention/drop-out rates for students (Question 27). In fact the FEFC funding mechanism was based on units of activity including the enrolment, retention and the outcomes of students. 83% of colleges had meet their financial/budget targets in 1996, 84% had met their FTE student/unit targets and nearly three-quarters had met their examination/assessment result targets and their retention rate targets. The other colleges had not met their targets in these areas. All the strategic plans

included mission or vision statements (Question 29) which were set out in such documents as the college prospectus, staff handbook, student handbook and college charter (Question 30). Approximately three-quarters of the college managers had consulted the college staff in writing the mission statement, while a quarter had not (Question 31).

4.3 (xii) The future

Four-fifths of the colleges who responded to the question about how they saw the future (Question 44) expected to be larger in the future and only three expected to be smaller, while a third expected to be merged with another FE college.

4.4 The identification of critical success factors

The results of the National Survey did provide a description of the main changes colleges had experienced after 1993, provided an indication of how they had coped with these changes and some of the actions they had taken in order to help them to do this. The major changes the colleges identified were in terms of the new funding mechanism to which they had to respond and the new responsibilities placed on them in the process of becoming incorporated. The Survey indicated that colleges also saw change in terms of competition and curriculum development, because the funding process encouraged colleges to compete with each other for students, and as a result, in the courses and programmes they offered. Competition was particularly strong between colleges that were close to each other within easy travelling distance for students. This competition included 16-19 year old students with increased rivalry with school sixth-forms as well as with other colleges. These

results confirmed the college view of competition discussed in the FEFC analysis of strategic plans in their Eastern Region (FEFC 1997) described in Chapter 1.

Colleges received approximately 70% of their income from the FEFC, and most of them did not feel better off financially after incorporation. Financial pressures were an important reason for colleges' altering their organisational structure, and the Survey identified that financial factors were more important than had been suggested directly by the risk analysis in the Regional Report. The pressure to make efficiency savings, the effects of convergence and the influence of competition combined with attempts to meet government (and FEFC) education and training targets, meant that colleges had to reduce costs while attempting to expand provision. The number of layers of management were reduced in the majority of colleges by such methods as abolishing vice-principals posts, abolishing posts at senior lecturer level and abolishing departments and the posts such as head of department and deputy head that went with them. Most colleges had moved to an organisational structure based on programme areas and teams with fewer senior managers controlling the curriculum offerings and more administrators. Staff contracts were altered to make them more flexible, with longer working hours and shorter holidays. Senior teams had been altered in all colleges to include a range of functional managers so that while the layers of management had generally been reduced, the central senior teams had been strengthened.

In most colleges the governing body of the college was characterised as participating to a great extent in the changes since incorporation, while teaching and non-teaching staff were only involved to some extent and students and

employers were not involved in most cases. The overall strategy of 85% of colleges was decided by the principal and the governing body, with senior college managers also involved in half the colleges. The principal or a senior member of staff was responsible for the detail of the strategic plan in all colleges and were the most important people in setting college targets. While programme areas and course teams were involved to some extent in target setting and their views were taken into account in nearly all the colleges the overall picture was one of centralised decision making with varying degrees of consultation. This was despite of the answer to Question 19 in which most of colleges characterised their organisation as based on teams and not strongly centralised.

The National Survey identified funding as a critical factor in the success of colleges and also the need for college management to develop and adopt strategies that would enable the college to remain solvent and to prosper under the new conditions. This highlighted the importance of the ability and skills of college management in managing the college and providing strategic leadership. The members of the governing bodies were part-time, unpaid and with little first-hand knowledge of the complexities of further education. The majority of them were business people with full-time jobs and therefore with a limited amount of time to give to their voluntary role as college governors. In the National Survey the role of governing bodies was seen as one of monitoring college management and offering advice and this again placed the focus on the quality of college management. The type of management and leadership required after incorporation was different to what was required before, yet most colleges (78%) felt that management training for the principal or the vice-principal was not very important, although it was felt to

be important for senior staff and middle managers (Question 21). The National Survey was sent to the principals of colleges and in most cases it would be completed by them or by a vice-principal, so that this indicates that principals and vice-principals did not feel that they needed management training while the staff reporting to them did need it.

The National Survey identified that it was the principal of the college and the senior staff who decided the college targets and the college strategic plans with the support of the chair of governors and the governing body. Levels of consultation with college staff, students employers and others varied between colleges and the extent to which course teams, programme areas and faculties were involved in agreeing strategic targets was not clear from the Survey. The introduction of functional managers into senior management teams, the fact that the college corporation became the employer and that the principal also became the chief executive suggested the possibility of a gap developing after incorporation between the need for a 'business-like' approach to the management and organisation of the college and the traditional professionalism of the college teaching staff. The National Survey identified the fact that colleges had closed courses that were not financially viable as well as opening new ones. The criteria for developing new courses and closing areas of provision were not clear from the Survey and could have been based on curriculum need and in relation to competition and college strategy and, with the pressures on college budgets, it seemed likely that they were also increasingly based on financial viability.

The importance of competition for strategic change in the colleges was identified in the National Survey. After incorporation this became a critical factor in the success of colleges because they had to face much stronger and more open competition than they had previously. This required a strategic response from college management in terms of making colleges more attractive to potential students alongside improved publicity and public relations. At the same time student retention and achievement targets became linked to funding and to the measurement of the performance of colleges and their management, so that it became increasingly important to develop student services and to understand student needs. This indicated a need for internal and external marketing and improved information about students and about the college offerings.

These critical factors in college success had an impact on the culture of colleges, the way they did things. This was highlighted by the identification of the extent of the redundancy programmes in colleges in the National Survey and by the process of changing staff contracts of service. The direct link made between student target numbers, retention and achievement on the one hand and funding on the other meant that decisions which effected the working life of everybody in the colleges were made on different criteria than had been the case in the past. While in most colleges the National Survey identified that college teaching staff were involved 'to some extent' in the changes that took place and in the decisions about strategic targets, it also appeared that the college strategic plans were largely decided by the principal and senior managers with the support of the governing body. While there were signs of a centralisation of decision making in the setting of targets and the

strengthening of senior management teams there were also attempts to de-centralise by developing programme areas and course teams.

The National Survey provided a wide view of strategic change in colleges, what they thought were the major changes they had faced and some of the ways they had dealt with these changes. It identified a range of factors critical to the success of the colleges in coping with these changes and it raised questions which needed to be answered before it was possible to decide how, and how well particular colleges were coping with the strategic changes they had experienced. These questions reflected the key variables identified in the conceptual framework (Figure 2.3) in including questions on how colleges had coped with the financial changes they faced after 1993, how they had dealt with increased competition, the extent to which they had introduced a marketing function, the way they had dealt with the organisational culture and the problems of introducing a business-like management approach against the long-standing professionalism of teaching staff. Other questions included the role of the new governing bodies in the strategic management of the colleges and the ability of college management to provide strategic leadership in the circumstances that existed after incorporation. These were questions that in terms of the conceptual model required the more detailed investigation that could be provided by case studies (Chapters 5 to 10).

Chapter 5 The Case Studies

5.1 The use of case studies

The results of the National Survey reflected the key variables in the conceptual model in indicating factors critical for the success of colleges in coping with their new environment after 1993. The use of case studies made it possible to consider these variables and these factors in more detail and to consider more complex aspects of strategic change in colleges, and also to investigate in more detail the key issues raised in earlier Chapters and the key variables and the link between them identified in the conceptual model in Chapter 2.

The use of case studies in research in general (Yin 1993 and 1994, Simons 1996, Eisenhardt 1989) and in particular in similar research projects was discussed in Chapter 3, where it was confirmed that case studies enable the appraisal of the dynamic of institutional processes, and individual relationships (Johnson 1994) and at the same time the use of interviewing as a major element in the case studies was considered to make it possible to discuss complex topics and therefore provide rich and complete data (Harris 1999). The case studies enabled the objectives of the research to be realised in terms of the conceptual model as well as making it possible to consider the results in relation to theories of strategic change and the consideration of theoretical propositions.

The colleges that responded to the national survey included colleges of all sizes, with a wide range of budgets and units of funding, with a variety of levels of competition, in a wide range of locations in all parts of the country. It was decided

that the important criteria for selecting the case studies (see Chapter 3) in this research were to have colleges which were:

- in different parts of the country
- in different locations
- of different sizes based on student numbers and budgets
- with different average level of funding experiences
- who were willing to be interviewed.

The importance of considering colleges in different regions was that just as every college was a product of its history (Vince Hall, 1994), as discussed in Chapter 1, it was also a product of its location. Colleges reflected the economy and society in which they were situated because they served a local area. Colleges had different influences on them in terms of local politics, the way the local Training and Enterprise Council operated, social attitudes to further education and levels of competition. The research carried out by NATFHE and the University of London on “Learning Funding: The Impact of FEFC Funding” (Leney et al 1998) selected twelve FE colleges on the basis of their unit of resource and their geographical position and in that research the geographical position was described in terms of inner city, suburban and rural and these factors were taken into account in selecting colleges for this research

Levels of competition (as discussed in Chapter 1) were affected by regional variations and the particular location of a college. Relatively sparsely populated areas usually had colleges which experienced limited competition from other

colleges because of the distance between individual colleges. This was typical of parts of the North of England and of the West Country. Colleges located in large conurbation's such as London, Manchester and Birmingham or the South-East of England tended to face considerable competition from other colleges in the same town or city. Colleges in London, for example, might have four or five other colleges within a few miles of them in the same travel-to-college area. Colleges were more greatly effected by competition after incorporation because prior to incorporation the movement of students between local authorities could be controlled to some extent by the local education authorities. The LEA could refuse to finance a student who wanted to study a course in another LEA if that course was offered in that student's home LEA. After incorporation this control was removed and students were able to study wherever they wished, and finance would follow the student. This opened up the further education market for students so that colleges could no longer rely on students being directed towards them by the local LEA and had to attract them by offering courses and programmes that were perceived to be better than those offered at rival institutions.

At the same time colleges were still competing for students in the 16-19 age group with local school sixth forms and from private providers and all colleges experienced competition in this age group. Even tertiary colleges were competing with private school sixth forms and schools in adjoining LEAs. Colleges also competed with private training organisations for aspects of vocational and on-the-job training. Competition for students also came from adult education services, which were in some areas still organised by the LEA, and, in some cases, from Training and Enterprise Councils (TECs) who controlled large funds in order to

enhance the skills in the local labour market. In the higher education area, colleges faced competition with universities.

Size made a difference to colleges because it reflected the range of courses offered, the number of students and staff and the size of the college budget. These factors influenced the attitude of college managers to FEFC funding and to strategic change and strategy. Large colleges might be confident of their position in their locality and region and their ability to face competition, while small colleges could feel relatively vulnerable. Large colleges could also generally face the efficiency savings required by the FEFC with more confidence than small colleges because they could afford greater retrenchment and they could more easily afford the costs of new functions such as personnel and marketing.. In some cases they also started from a base of more capital assets than smaller colleges.

The average level of funding (ALF) of colleges across England at incorporation varied by one hundred percent with some colleges with an ALF of £16 per FEFC unit and others with an ALF of £35. These figures reflected the relative paucity or generosity of funding prior to incorporation. The FEFC replaced funding per full-time equivalent student enrolled with a system of units which reflected the number of students, their curriculum areas, the length of time they spent at a colleges, their success rate and the provision of other service for students. At incorporation the FEFC introduced the objective of bringing about the convergence of the ALF of all colleges, so that those with an ALF well above a target figure had to reduce their costs rapidly while the colleges below the target figure saw an expansion in their

budgets in relation to the number of students they enrolled. These differences were important elements in the approach to strategic change of all colleges.

Six colleges were selected who satisfied the first four criteria. Their principals were approached to find out if they would be willing for their colleges to become one of the case studies for this research. They were all willing to become involved. The co-operation of the Principal was important because without this it would have been impossible to carry out the interviews and the willing support of the Principal and Chief Executive meant that all the people it was thought to be important to interview were able to be interviewed. This included college governors, senior, middle and junior managers, lecturers and union representative. The four colleges selected from the six approached met all these criteria, they had different experiences in relation to the local authorities that had controlled them before incorporation, and they had different experiences in relation to competition. They were in different regions of the country in a variety of locations, of different sizes and with various average levels of funding.

5.2 The selection of case studies

It was considered that these four colleges provided a sufficient number of case studies to illustrate different approaches to the same external changes in significant ways to enable the exploration of a diversity of practice. Incorporation provided for the uniformity of treatment of colleges for the first time because previously their strategy and the criteria for judging their success depended heavily on each of their local education authorities. Incorporation meant that for the first time they were all faced with the same criteria for judging their success and the same central

pressure on their strategy. The criteria for selecting the case studies ensured that the four colleges chosen reflected many of the most important differences between institutions in the sector.

Between ten and twelve interviews were carried out in each college with a wide range of people including the principal, governors, senior managers, junior managers, lecturers and union representatives. This was felt to be a sufficient number and range of interviews to provide a broad picture of the college's strategy. Triangulation was achieved by comparing the results of the interviews with the results of the National Survey, and with other documentation such as that provided by the FEFC and its inspection reports, as well as the strategic plans and other reports and documents provided by the colleges themselves.

Triangulation was also assisted by asking all interviewees similar questions on the same range of topics. Different views were expressed on the same action or policy within a college which helped to build up a picture of both the policy and its application, so that for example aspects of marketing were seen differently by the various people interviewed in the same college. The semi-structured interview design provided the opportunity to follow up on particular answers and to alter the structure of each interview to some extent to suit the needs of staff with different roles within the college and at different levels in the college organisational structure. The key issues and critical factors identified in the conceptual model and supported by the results of the National Survey suggested areas for questions in the interviews in order to achieve the research objectives:

individual experience
role in the College
changes since incorporation
causes of these changes
consultation on the changes
levels of communication
college strategy
target setting
curriculum development
application of information technology
competition
marketing
organisational structure
finance and resource allocation
personnel and human resources
staff development and training
the role of the governing body
college management
the future

The colleges which were the subjects of the case studies varied in relation to the main criteria for selecting them. College A was located in a county town in Central/Southern England which was a regional centre for local government and also a retailing and commercial centre within an agricultural setting. It was the only college in the town so that competition arose mainly from school sixth forms

and, on the fringes of its main student catchment area, from other colleges in the region. College D was located in a large industrial town in Northern England which had been a centre for mining and manufacturing. Competition came from school sixth forms and to a small extent from other colleges in the region. College L was located in an inner city area in London with relatively high levels of unemployment and serving large ethnic minority communities. There was competition from other colleges within close proximity and with school sixth forms. College P was located in a large city in South-West England which was the regional centre for local government, industry, commerce and retailing and which was relatively isolated from other large centres. There was competition from local schools but very little from other colleges. The four colleges were all in different FEFC regions spread across the country, from the North (Yorkshire and Humberside) to the centre of the country (Eastern Region), London and the South-West.

College A – Eastern Region

College D - Yorkshire and Humberside Region

College L - Greater London Region

College P - South-West Region

Figure 5.1 Regional distribution of College in the Case Studies

The colleges were of different sizes in terms of units of funding, their FEFC allocations and their average levels of funding. This data came from the FEFC

annual “Funding Allocations 1996-97” (FEFC 1996) which coincided with the period when the National Survey were distributed to colleges and returned by them.

Size of colleges based on number of students, units of funding and average levels of funding (1996-97)			
	Units of funding	FEFC allocation (£ millions)	ALF (£)
College A	336,014	5.6	16.63
College D	585,716	12.2	20.82
College L	685,875	18.3	25.39
College P	711,318	12.9	18.08

Figure 5.2 The size of the Colleges in the Case Studies

In the 1996-97 funding allocation, the smallest colleges had units of funding just over 200,000 while the largest colleges had units of funding of over 1,000,000 units, so that measured in terms of units of funding College P and College L were both above average in size, College D was a medium sized college and College A was a relatively small college. In terms of their budgets, the different average levels of funding (the ALF) meant that budget levels did not directly reflect size based on units of funding. Although College P had the largest number of units of funding, it did not have the largest FEFC funding allocation because it had an ALF close to the national average. College L was the largest in terms of its budget because of its high average level of funding. In terms of their FEFC allocations of

funding College L was large with over £18 million, while College D and College P were medium to large with over £12 million.

College A had the lowest average level of funding, the lowest FEFC allocation (£5.6 million) and the lowest units of funding. Agreement for the interviews was reached with the Principal of each College by letter and telephone conversations and in each case the interviews took place over two or three days. Each College was asked to supply a copy of their most recent inspection report, a copy of their strategic plan, an organisation chart and any other documents they could supply. All the Colleges supplied this information. The other documents supplied included budget information, marketing plans, prospectuses and other publicity material.

5.3 The interviews

A total of 45 interviews were carried out in the four colleges and included nineteen senior managers, nine middle managers, seven lecturers, four union representatives (who were also lecturers) and six governors. This distribution was weighted in favour of senior management in the colleges because the National Survey results confirmed that this was where the strategic decisions were made. The nine middle managers and the eleven lecturers interviewed provided a balance to this and a view on strategic change in the work of the colleges. Figure 5.3 lists the interviewees:

The Case Study interviewees:

Principals	4
Finance Directors	3
Other senior managers	12
Middle managers	9
Lecturers	11 (including 4 NATFHE representatives)
Governors	6

Figure 5.3 The organisational roles of the interviewees in the Case Studies

Each interview started with an explanation of its general purpose and a discussion of the role of the interviewee in the College. Agreement was reached for the interviewer to make notes during the interview. All the Colleges had faced similar changes in their environment in 1993 and the object of the questions was to discover how each of them had reacted to these changes. The interviews were semi-structured so that there was a framework of questions which were asked to each interviewee, with each person answering the questions from their own point of view, depending on their experience and their role in the College, as well as more detailed questions relating to the particular role of the individual in the College.

Interviewees were asked about their role and experience. They were asked about the changes there had been in the College in recent years, why the interviewee thought they had occurred, what they thought of these changes, what they meant to the interviewee, what they thought had been the cause of these changes and, where they had been in the College long enough, what the differences were between the

College prior to incorporation and since incorporation. Each interviewee was asked how they had been involved in the changes, how their role had changed, about competition to the College, their view of marketing in the college and about the College organisational structure. Questions were also asked about College personnel policies, staff development, resource allocation, the opening of new courses and the closure of existing courses and about curriculum development. Everybody was also asked about College strategy, target setting, policies to meet these targets, measures of success and future developments.

Senior managers were asked about the average unit of funding, the overall budget, College strategic planning and College strategy and the role of the governing body. The interviews with the principals provided a greater emphasis on questions concerning the management of the College, the governing body, on the future of the College and on College strategy. Interviews with the senior financial manager was more concentrated in the College budget, with the senior personnel manager on human resource matters, the senior curriculum leader on College offerings and with the senior marketing manager on marketing and market research. Union representatives were asked about the role of the unions in the Colleges, governors on how they saw their role and lecturers on their contracts, the provision of their courses and programmes. Everybody was asked about target setting, levels of consultation, staff development and training.

In relation to the case study method which was outlined in Chapter 3 (Figure 3.1), the case studies were conducted following the design data collection protocol and the selection of cases. The interviews were designed to achieve the objectives of

the research in relation to the conceptual model and in connection with the National Survey. A description of the interviews and the results of each case study follows in the next four Chapters with an identification of the key issues which arise from them. The results are contrasted and compared and an analysis of the overall conclusions are included in a consideration of the results of the research in Chapter 10, with an evaluation of the research in relation to the conceptual model in Chapter 11.

Chapter 6 Case Study 1: ‘Head in the sand management’

6.1 Background to College A

The College was founded in 1962 to provide vocational further education in the town in which it is located and the surrounding area. In 1991 the town had a population of 55,000 which was expected to grow to 80,000 in the following ten to fifteen years. New shopping arcades, office blocks and housing had contributed to the continued expansion of the town. Minority ethnic groups formed 8.6% of the population of the town. At the time of the interviews the largest employers in the town were local government, the health authority and the financial services sector, while the fastest growth in recent years had been in the retail and distribution sectors. Unemployment was 1.8% in 1997 and there were a significant number of vacancies. The College drew most of its students from the county town in which it was located and the central part of the county. It operated on a main site close to the town centre and had a second site about three miles away, which included a College farm.. There were eighteen secondary schools, all with sixth forms in the College ‘catchment area’ including three grammar schools. There were six further education colleges on the fringes of the area from which it drew students. The LEA operated an adult education service in the town and in other centres in the surrounding rural area.

The main areas of course provision in the College reflected employment opportunities in the college’s ‘travel-to-work’ area and included business studies, health care studies, horticulture and agriculture. It had collaborated with a range

of partners to offer programmes for those with learning difficulties and/or disabilities, and with local higher education establishments to support courses in management, teacher training, access and higher national certificates and diplomas. Since September 1998 the curriculum had been delivered through six programme teams led by programme managers, with courses grouped in sections within each programme team. There were 132 full-time equivalent lecturers (including fractional appointments) and 109 staff supporting the work of the college in administrative, technical and clerical positions.

The College reviewed its mission in 1997 and it was decided that it should concentrate, although not exclusively, on vocational education and training to meet the needs of the developing local economy so that the College *“will work with the whole community to provide an accessible high quality vocational education and training service to meet vocational needs and lifelong learning”* (page 1 of the College ‘Report and Accounts’ 31st July 1997). This mission was also quoted in the College Charter which made explicit commitments to standards of service such as the complaints procedure and administrative procedures. As well as the Report and Accounts for July 1997, and the College Charter leaflet, other references consulted included the 1997-2000 Strategic Plan, the College Programme Guide and the Report from the FEFC Inspectorate 1997-98.

Interviews were carried out over a two day period with ten members of the College staff and two members of the governing body. The members of the College staff included the Principal, three senior managers, three middle managers, two lecturers and the union representative who was also a lecturer.

6.2 Causes of change

The main changes in the College in recent years were identified as being a result of incorporation and the introduction of the FEFC funding regime. This was recognised by all the interviewees, even those who had entered further education since 1993 and they understood that the College and its management had to work within the constraints of the FEFC funding mechanism. The general feeling was that it was not so much the fact of the College becoming a corporate body that was so important, it was the fact that this meant that the College was responsible for its own finances. A middle manager thought that *“incorporation was not of direct importance”*, it was the dominance of FEFC funding that was the main reason for change in the College. A Curriculum Team Leader was of the opinion that *“before incorporation it was a question of organising the teaching and getting on with it...now there are matters such as quality, self-assessment, reports from the FEFC, lots of paperwork.”*

6.3 Organisational changes

The Principal described the organisational changes in the College during the 1990s. The structure of the College was reviewed in 1991 and the organisation of the curriculum delivery in four large departments was replaced by eight programme areas with Programme Team Leaders. One of the Heads of Department was appointed to be the Personnel Manager. In 1993, in preparation for incorporation, a Director of Finance was appointed and the Personnel Manager became an Assistant Principal (Personnel and Staff Training). At the time of incorporation (1993) the management structure of the College included the senior team shown in Figure 6.1.:

Senior Team of College A (1993)

Principal

Deputy Principal (Business Development)

Assistant Principal (Learning Resources)

Assistant Principal (Students)

Assistant Principal (Personnel and Staff Training)

Director of Finance (Finance and MIS)

Figure 6.1 The Senior Team of College A at incorporation

In addition there were eight Programme Team Managers responsible for areas of curriculum provision.

In 1998 the structure was altered as a result of the departure of the Deputy Principal which was followed by a reorganisation of the responsibilities of senior management (Figure 6.2). The number of Programme Team Managers was reduced to six by altering, rather than reducing, the curriculum areas of responsibility, and in addition a Business Development Manager was appointed to take over one of the

The Senior Team of College A (1998)

Principal

Director of Personnel

Director of Finance

Director of the Curriculum

Director of Student Services

Director of Support Services

Figure 6.2 The Senior Team of College A in 1998

many roles previously carried out by the Deputy Principal. This appointment was not at senior manager level, it was a middle management post covering marketing, conferencing, financial bids and relations with business and employers.

6.4 Funding and finance

The Principal identified that the College had an AFL of £16.20 which was at the low end of the scale and it had been in this position since incorporation. He thought that the FEFC was aiming for this level of ALF for all colleges by the year 2000 as funding units differences converged. The FEFC accounted for 67% of the College budget which was just above the proportion salaries made up of the budget (65%). The Principal identified the fact that student enrolment numbers had fluctuated up and down over the years since incorporation although the number of units had shown some gradual increase with improvements in FEFC allocation for areas of work such as student services. The College had been able to pay the full recommended salary increase to the lecturing staff since incorporation although money was tight.

The Principal described the College finances as “strong”, because the College had some reserves and its income covered its costs. He felt that non-FEFC income “subsidised” FEFC activity. A junior manager thought that the funding regime was painful but that the College was financially sound so “so we must be doing something right”. The Finance Director described the College finances as “reasonably robust” with the College in the FEFC Category A with those Colleges that appear to have sufficiently robust finances to implement their strategic plan and to deal with the circumstances which are most likely to occur during the

planning period (FEFC, 1997). The FEFC had an 'at risk' Register which divided colleges into three categories A, B and C. Category B colleges were ones which showed signs of financial weakness which might limit their ability to implement their strategic plan if they encountered adverse circumstances during the planning period, while category C colleges were those that were financially weak and which were dependent on the goodwill of others or likely to become so.

In the longer term the Finance Director felt that the *"finances are going downhill and in due course it may join the 94 colleges which have financial problems."* He continued that there was *"a half a million pound gap to plug but there is a downward spiral in the budget"*. He stated that the convergence of the average level of funding between colleges had been slow and the convergence of other providers, such as school sixth forms, had not happened. He felt that schools were better funded than the College and that other colleges with a higher ALF could provide the same service as the College, but better. A middle manager described the staff of the College as *"frightened of finances"*, while another described the funding regime as *"painful"*, and although he thought that the College was financially sound he felt that *"the College is under funded like the whole of the FE Sector, but the College is below the average level of funding"*. The NATFHE Branch Secretary felt that *"there is a problem with FEFC funding"*, and she would prefer to return to the old system where the College funds came from the local authority.

6.5 The role of the governing body

The Principal confirmed that prior to the Local Management of Colleges and Incorporation, the College Governing Body was dominated by representatives of the Local Education Authority. At incorporation the College had to restructure its Governing Body so that it had a majority of business members and no members of the local Council, according to the regulations written into the 1992 Further and Higher Education Act. At the time of the interviews, the Governing Body had twenty members, the majority of whom were business interest members, with a number of public sector or ex-public sector members including members with links to the local authority. The Deputy Chairman of Governors (who had held this position for ten years) recognised that the responsibility of the Governing Body had increased as a result of incorporation in such matters as *"the financial probity of the College"*. He felt that *"incorporation has meant that the College is independent and self-supporting, although there is a high degree of control from the FEFC, which is too prescriptive."*

The Principal thought that senior managers were a buffer between the academic life of the College and the requirements of the Governing Body and the FEFC. He felt that the Governing Body was strong on finance, insurance matters and legal advice and weak on the curriculum and on students needs. There was a student member of the Governing Body but the Principal felt that the interests of students might be better served by a newly established Student and Curriculum Committee with a governor as chairman. A Governor said that the Governing Body knows how the college is doing through FEFC indicators, reports from the College management and through the governing body committees. It works through these committees

and their importance has depended on circumstances so that for example the Personnel Committee was important in the period 1993-96 when there were problems with academic staff contracts. The Principal thought that the Governing Body kept him on his toes.

In his answers the Principal stated that he “wanted to keep close to the local authority” and maintain members of the Governing Body with local authority links even though the 1992 Act had made it clear that formal links with LEAs should be severed. The Deputy Chairman of Governors recognised the changes caused by incorporation but suggested in his answers that the main role of the GB was controlling rather than a responsibility for the strategy of the College. He felt that the FEFC was too prescriptive even though the College had become independent and self-supporting, and the main role of the Governing Body was responsibility for making sure that the College maintained its financial probity.

6.6 Consultation and communication

The Deputy Chairman of Governors felt that *“the College has become a business since incorporation, however there are restraints. The culture and climate recognises that everyone is a marketeer now but staff are not used to change and pay structures are a restraint. Salaries are paid on an incremental basis which does not reward performance, so there is little incentive”*. He felt that *“the culture will change in time”* as people became used to the fact that the College had to be business-like and face up to competition. The Director of Finance came from a career of over thirty years in the private sector and found that entering FE was a *“cultural shock”*. He thought that *“in general people are better educated*

than in manufacturing industry, but everything becomes a debate, there is little discipline in FE, everything is a debating society. In the private sector, if you do well you can earn a bonus and share options, if you do badly you are fired." He felt that there were *"limited sanctions in FE"*. He quoted a case of a senior member of his staff making a serious mistake for which he received a verbal warning. *"There are very limited incentives in FE, there is limited get up and go."* He added that *"is very difficult to obtain decisions in the Governing Body because governors are not paid to make decisions"*.

A relatively new member of the Governing Body (a member for fifteen months) felt that the *"College is not good at change"*. The Director of Personnel Services thought the College *"has coped well with incorporation but there are cultural problems"*. He felt that many staff saw further education as a service and they did not see any need to compete. They had not really taken on board the changes that incorporation had created for the College, so that for example many staff still saw the LEA as their employer even though this had not been the case since April 1993. He thought that *"cultural change has been slow although it is easier with new staff but staff who come to the College from industry soon become indoctrinated with the old culture"*. The Director of the Curriculum identified a feeling of professionalism in staff at least on an 80/20 basis. This feeling, she felt, depended on curriculum areas so that for example, business studies staff are flexible and adaptable while the most resistant to change are staff in liberal studies and academic studies teaching A levels and GCSEs. The Business Development Manager thought that *"lecturing staff feel undervalued"* and *"have a problem accepting that the College is a business"*. The NATFHE Branch Secretary felt that

the *“teaching staff are over-stretched, they are working all hours. There is a vast amount of paperwork along with their teaching and they are then asked to attend meetings”*. She felt that unless further education could return to national pay negotiations and pay rates *“few dedicated teachers will stay in FE and the College will have difficulty in continuing to function”*.

A Lecturer said that *“I feel like the chimney sweep, up the chimney doing the hard work. The Principal knows us all by name, which is good, but they don’t really know what we are doing and our hard work is not recognised.”* Although she was not clear what ‘Investors in People’ meant in practice, she felt that *“these things do turn into a mammoth paper exercise.”* In terms of improving motivation amongst staff she said: *“they are doing IIP, so they must be doing something right”*. The Principal felt that *“the College senior manager’s role is to prevent the academic life of the College being directly effected by the requirements of the Governing Body and the FEFC”* to act as a *“buffer”*.

6.7 Competition

The College answer to the importance of competition as a cause of changes in the College in the National Survey was that it was important but not very or extremely important (question 1) and it was not seen to be a major factor in changes made by the College in recent years (question 3). In his interview the Principal explained this answer in terms of the limited competition from the College’s nearest competing FE college which had been founded as an art college and either did not or had only fairly recently started to provide other vocational areas. It did not provide engineering courses, construction, hairdressing and beauty, and it had only

recently started catering. He felt that the nearest FE colleges, which were in a circle around the College, were at a sufficient distance from it to provide competition only on the fringes of the College student catchment area.

The Principal did explain that the College was concentrating on vocational provision because it was not duplicated in school sixth forms. The schools concentrated on full-time GCSE and GCE 'A' levels and the College had decided not to attempt to compete with them in these areas. The Principal confirmed that because of this strong competition in the full-time 16-19 year old market the College had decided to close its full-time 'A' level courses because student numbers had been low, there was strong competition from schools and this area received a poor inspection report in 1997. The competition in this age group was described as "*fierce*" by the Principal because every school had a sixth form and was financed at more than double the FEFC rate. The Chairman of Governors had said that "*the College is for those who did not attend the grammar schools*". The Principal described it as "*a vocational college, not a tertiary college*" and confirmed that there was effectively no enrolment into the College from the three grammar schools. The NATFHE Branch Secretary thought that the College was fighting the secondary schools for the middle band of school pupils who did not go to the grammar school sixth forms or want to leave school and start work

The Principal also confirmed that there was competition in the post-19 market because the LEA ran an Adult Education Service (AES). This Service relied heavily on 'Schedule 2' courses, which were vocational courses recognised by the FEFC as attracting funding, because it could not rely for funding on its recreational

and leisure-time courses. The Principal felt that the College could compete successfully with the AES. Ironically the College was the sponsor for the AES for its FEFC funding because the system was that the Service could not apply for funding directly. The Principal argued that had the College refused to sponsor the AES, the FEFC or the AES could find another sponsor and the College would not have had direct access to the AES plans.

The Curriculum Director felt that the very competitive phase in the further education sector which followed incorporation was over and that there was a move back to collaboration, and although this change was very difficult, alliances were being formed. The College could share areas such as finance and personnel and it could concentrate on the curriculum areas where it was strong and other colleges could concentrate on areas where they were strong. The Principal was also looking for co-operation and possible merger although there was not evidence of movement in this direction.

6.8 Marketing

The Business Development Manager said that marketing was one of the many responsibilities of the Deputy Principal before he left the College. Marketing had become her responsibility as a middle manager. Her role included marketing, conferencing, financial bids (such as the European Social Fund) and relations with business and employers. She had been a Senior Lecturer in Management in the Human Resources area and as a result of her new job she *“has had to pull back on teaching this year because of marketing”*. Her background in marketing had been

limited she said but *"I have lived here all my life and I have a very good knowledge of the area and I have contacts. It's all down to contacts."*

In her marketing brief the Business Development Manager included preparing the College prospectus, attendance at exhibitions, promotional work and liaison with newspapers. *"We are working towards a corporate style for publicity material,"* she said and she added that she was working on a marketing plan with the Governing Body Development Committee. A Marketing Group had recently been formed in the College with representation from each curriculum team which she described as *"working with the willing"*. She was not sure what the marketing budget was but she knew it had increased. She had carried out a SWOT survey for the marketing plan which was based on FEFC guidelines. She stated that *"to staff, marketing means how much advertising we do."*

A Curriculum Team Manager said that *"we do not market courses as well as we should, because of the time available and we are not trained marketers"*. The Director of the Curriculum thought that in practice academic staff were required to be facilitators, mentors, administrators and marketers and felt that *"there is a tension between staff's role as teachers and other roles"*. A Governor described the College staff view of marketing as *"something done by someone else"*. He felt that *"marketing needs to be by integration not by differentiation"* so that there was a direct relationship between curriculum development and promotion and everybody was involved in marketing so that it was taken for granted as part of their job. He felt that the College does not necessarily require a marketing

specialist, but it does need everybody to market the College and its services in everything they do.

This Governor considered that the College was not good at change and it was very weak at market research. He felt that curriculum change needed to be such that it could move *“onto the front foot, not be on the back foot.”* The college was not aware of its margins, it needed to develop its ‘cash cows’. There was strong competition in the education of the 16-19 age group and this group expected to have free education as they did in schools, therefore the concentration had to be on the adult (that is post-19) market, higher education and employer links. He felt that in these areas fee income could be increased.

6.9 Strategic planning

The Principal said that the Deputy Principal had been responsible for the College Strategic Plan until he left in the summer of 1998 and he co-ordinated the detail of the plan. He confirmed that the decision on the overall plan was made by the Principal and the Governing Body and the co-ordination was now his responsibility. The six Curriculum Team Managers (middle managers) drafted targets for student recruitment and FEFC units of funding each year and these were adjusted by the senior team. There was not a formal process for consultation further down the organisational structure. The Curriculum Team Managers interviewed stated that the process was that they were asked to comment on the Strategic Plan and to make their input through the draft operational plan which became part of the College Operational Plan. They said they were consulted about decisions but they were not part of the decision-making process and student targets and unit targets were given

to each Curriculum Team from the centre with levels of funding and targets for cost recovery. The Lecturer in Sports Science said that there was limited consultation on target numbers.

The Principal said that the College held an annual Planning Day in November when classes and courses were cancelled so that all staff could be involved in discussions on both College developments and their own area's developments. In the morning there was an opportunity for all staff, teaching and non-teaching, to come together across their usual working boundaries and from both of the College sites in order to discuss College developments. In the afternoon, curriculum teams and service teams come together to discuss developments in their own areas. After the Planning Day, Curriculum Team plans were produced for the following academic year, that is ten months ahead. The Planning Committee of the Governing Body considered the Strategic Plan in detail before it is brought to the full Governing Body for ratification.

The Principal described the Annual Planning Cycle to include the submission of student numbers and financial forecasts submitted to the FEFC in February, a strategic planning meeting with the local TEC, a final review of the plan by the Governing Body in June and the submission of the College Strategic Plan and three year Financial Forecast to the FEFC in July. A copy of the College Strategic Plan for 1997-2000 was provided by the Principal. This Plan was updated year by year and was used as a way of judging the College progress in terms of its financial viability and in the inspection process. It includes a mission statement, vision statement strategic aims and operational plan. The Director of Personnel Services

thought that the College Strategic Plan was “*very woolly*” because it was a general statement of what the College would like to do rather than a clear approach to how it would achieve objectives..

The staff interviewed were aware of the College Mission Statement through the Planning Day and the material with which they were supplied on that day and they had an idea of its general gist on the lines of “*providing education and training for local people*”. There was some confusion between the college mission, vision and objectives. The Principal identified one of the aims of the Plan as increasing commercial activity. At one time it did have a commercial contract (which it had lost) worth a gross £100,000 and could do more of this work to increase the non-FEFC income of the College. The Strategic Plan had not included a marketing plan although the Business Development Manager was preparing one and it did not identify how more non-FEFC income could be achieved.

The Principal considered external assessment as very important for the College, including FEFC inspection, IIP accreditation, verification by City and Guilds. The College Strategic Plan identified a number of broad targets or performance indicators for the College over three years (1997-2000):

- Student numbers - to increase by 1.5% for full-time students
and 4% for part-time students
- Student retention - an annual improvement of 4% each year
- Examination achievement - a vocational pass rate improvement of 7%
- Non-FEFC income - an annual improvement target of 10%

- Accommodation utilisation - an improvement of 10%
- Staffing - to reduce staffing costs below 65% of the budget

In discussing these broad targets, the Principal felt that student achievement was a poor measure of the College success because it was a vocational College and he thought that a value added measure would be better but no-one has produced a good measure.

In terms of measuring performance in other aspects of the College, the Director of Personnel Services thought that where staff were not felt to be very capable, they were found something else to do by managers. The Director of Finance thought that the College had *“an idea of service and perhaps this means to keep young people off the streets and make them better citizens.”* A Governor felt that the development of performance measures was still a requirement for the College, he said *“the Governing Body is like the pilot of an aircraft, it is good at knowing what the engine is doing, but it does not know whether or not the passengers are having a good time”*.

6.10 The future development of the College

All the interviewees were asked for their views about the future development of the College and they answered in a variety of ways. The Principal thought that through an increase in commercial activity there could be an annual improvement of 10% in non-FEFC income. The College had had a contract with a local public utility although this had now ended, while Prison Education contracts had also come to an end. The Director of Finance did not see alternative sources of income from the private sector. The Business Development Manager had set up commercial training

opportunities which she had passed on to the Curriculum teams. She said *"I have told the Principal that I cannot continue to find training opportunities unless provision for them can be made by the curriculum teams."* A Governor felt that one of the challenges for the College was whether it was willing and able to meet neighbourhood needs including good trade training, while the Deputy Chairman of Governors felt that the College had become a business since incorporation, however with restraints. The Business Development Manager felt that the College could offer non-vocational courses, but she was not clear about the funding for these.

The Director of Finance said that *"the College is poor at costing and does not know which courses are viable and which are not,"* while management information systems to help this process was developing slowly because *"there is an MIS manager but limited staff and financial support."* On the other hand the Principal said that 'A' level courses had been closed because the small number of students meant that they were no longer viable, but on the other hand, he confirmed that both the agricultural and engineering courses were also not viable and *"an economic approach would mean that they were closed down, but where would local people go? They would have to travel long distances."*

The Deputy Chairman of Governors thought that the College had a *"hand-to-mouth existence"*, that it was held back by a focus on costs while its future was in acquiring more students and becoming more flexible. *"There is no culture of having to speculate to accumulate,"* he said. Another Governor described the College as fairly soundly managed, with its finances and student demand

reasonably strong, however he felt that the future was volatile as a result of questions over funds and with greater competition arising. As a result of this the College was looking hard at strategic planning. He thought *"the college heart is in the right place, but the tools for strategic planning are not to hand."*

The Principal stated that the College aimed to remain financially stable with small reserves, income and costs in balance and a limited ability to invest. In order to invest, with a low unit of funding, the College could not afford to invest in new equipment unless it clearly lead to extra income. He thought that the clearest example of this was in Information Technology equipment where investment had led to extra income through commercial training. On the other hand, agriculture and engineering courses needed extra investment in new equipment but class sizes were small and these course *"run at a clear loss"*. He thought that the College had to earn non-FEFC funds in order to subsidise FEFC courses. The Director of Finance discussed the College farm which reported directly to him. It sold milk, but it had few students so the number of staff had been reduced in an attempt to make it stand alone on costs. Its main advantage was as an asset which could be sold at some time in the future because it was on a prime location and selling some or all of its land would provide a respite for College finances.

The Director of the Curriculum saw a situation where prior to incorporation the College had concentrated on the delivery of the curriculum but after incorporation *"it manages the resources that go into the curriculum"* and *"there is pressure for more and more efficiency and effectiveness because the College is managing its own budget."* She said that she would like to see learning as the main focus in the

College as against the roles of the functional managers. A Lecturer in Sports Science felt that her area was a growth area of the curriculum and was limited in its expansion by a lack of resources and staffing. In the catering area the Curriculum Team Leader felt that keeping up to date was the main problem because people from the industry expected to be trained on the most modern equipment.

The Business Development Manager pointed out that 77% of all College students, full-time and part-time, were adults and the College needed to build on this by becoming a 'community college' with non-vocational courses in leisure and recreation, links with local Social Services, the Police and the University of the Third Age and in supporting the ethnic minority population. She was not clear about the funding for these developments although she thought that European Social Funding would help. She thought that *"realism is needed in what we can provide"*.

The Principal felt that the main strategy to achieve greater non-FEFC income was through the expansion of higher education and through funding from the Higher Education Funding Council (HEFC). There had been recent contracts with a nearby University which approached the College as a result of the Government initiative on greater access to higher education. This initiative had the objective of increasing access to higher education and increasing participation in HE by 35% across the country through the blurring of the lines between further and higher education. He pointed out that the College Business Centre had been developed as a joint venture and full time Higher National Diplomas started in Business Studies and Sports Management. The objective was to provide local access to higher

education because people were reluctant to travel even fifteen or so miles to other centres.

The Principal felt that alliances could be formed and a merger was possible with a nearby further education college (the strongest competitor college) and/or a nearby college of higher education. The higher education alliance would provide a clear line of progression from further to higher education. The NATFHE Branch Secretary thought that there was a possibility of expansion in to higher education, but there was a problem that the government might decide to fund further education at a lower level than higher education and may decide that higher education provision in further education was of a lower quality.

The Director of the Curriculum thought that *"everyone should have an important role in marketing"* and that there was a greater awareness of customer focus and an improvement in the College in quality assurance. She said that one curriculum team had targeted middle schools to market their courses because they were not welcome in secondary schools. The Financial Director felt that *"the College should do what it is good at"*. He said *"what are we here for? To teach."* He also felt that *"the College cannot be all things to all people locally."* The Director of Personnel Services thought that if Personnel Services has made a contribution to the College objectives *"it is in staff development."* He said that the staff development budget was very small and that it was mainly concerned with the curriculum and teaching/learning problems. The Deputy Chairman of Governors felt that for the future the *"College needs a grander vision"*.

6.11 Key issues arising from this Case Study

This Case Study revealed that there was a lack of a shared vision of the strategic pathway for the College indicated by the variety of ways in which the interviewees answered questions about its future development. The lack of consultation on the strategic plan meant that a shared vision was not encouraged, and while the one day strategic planning meeting was a start it was not sufficient to result in a shared vision.. Rather than look towards the future there was a harking back to the past. For example, the Director of the Curriculum, a member of the Senior Management Team, wanted to see the College return to a situation where the curriculum was the main focus of the College rather than the management of its own budget and an emphasis on efficiency and effectiveness. This backward looking approach was reflected in other answers to the interviews, where there was little understanding that the range and delivery of the curriculum had always been limited by budgetary considerations and that whereas these had been the considerations of the local authority, they were now in the hands of the College. The Principal wanted to remain close to the local authority even though all formal links had been severed by the 1992 Act and the local authority could not provide any direct finance or other assistance to the college. In these attitudes there was evidence of what Mintzberg (1989) referred to as strategic drift.

There had been very little attempt by the Senior Management Team or the Board of Governors to influence the culture of the College. This remained one of providing a service without too much regard to costs or too much emphasis on efficiency and effectiveness. The changes brought about by incorporation had not been wholeheartedly embraced and in fact the situation that emerged from the

interviews was that as little as possible had been changed. Another key issue that arose from this Case Study was that the College had done little to develop functional core competencies to match the requirements of its new environment. For example, in terms of the appointment to new posts to reflect the needs of incorporation, the only specialist appointed was the Director of Finance. Other appointments had been of existing staff moved into functional area in which they had little background or experience and where they could provide little in the way of core competence. For example the Business Development Manager had been given the task of marketing the College even though she did not have experience in this function and had previously specialised in human resource management. The Director of Personnel Services had been promoted to this post from a post of Head of Department in the College, even though he did not have any specialist experience or knowledge of personnel. His functions were focused on providing the basic personnel service transferred from the local authority on incorporation in terms of wage and salary arrangements, pension schemes and making sure that the College complied with employment law. He did not have a wider 'human resources' remit in his post in terms of competitiveness, increased productivity, improved service quality and better customer care and there had not been a training programme to prepare staff for their new roles. Staff development and training was still concerned with curriculum updating as it had been before incorporation, with little emphasis on management training or support for staff in their new roles.

The organisational changes introduced in 1993 would have helped to support a positive approach to incorporation if more specialists had been appointed and if the Deputy Principal had been given a more focused role. The 1998 organisational

structure did not alter this situation to any extent, it was mainly concerned with distributing the responsibilities of the departed Deputy Principal amongst the other senior managers and a middle manager. At the same time marketing had not been given a high profile in the management structure of the College and could not therefore support strategic planning to any extent. The Business Development Manager was appointed to middle management and took over the marketing role of the Deputy Principal. This role was largely concerned with promotion and publicity. However progress in these areas appeared to be slow since incorporation, because she had introduced for the first time the process of achieving a common College style for publicity material. A Governor thought that the College was weak at market research and this aspect of marketing had clearly played little part in the formation of strategy. There was little support from the Management Information Systems which were developing slowly and were unable to provide much information about the costing or viability of courses or support for market research. The Business Development Manager had recently carried out a SWOT analysis of the College as part of a marketing plan she was working on, but this was five years after incorporation and she was not able to produce any information from it.

The Case Study revealed that there were different views held on the financial viability of the College. The Principal described the College finances as strong and the Director of Finance confirmed that the College was felt to be sound financially by the FEFC and that the College finances were reasonably robust. However in the longer term he felt that the finances were going downhill and the College could join other colleges with financial problems. This was because there was a £500,000 gap to fill, the College ALF was below the average and convergence was slow so that

other colleges could provide a better service and at the same time school sixth forms were better funded. The College financial strategy was based on increasing non-FEFC funds, either through commercial activity or through links with higher education. There was little optimism that commercial activity could increase funds and the alliances with higher education had already been made and there was no idea of how much extra income could be raised in this way. The fact that organising higher education courses could cost a similar amount to their funding did not seem to deter the view that extra income could be raised from this source. At the same time the College had not followed a well-defined low-cost strategy in its provision in order to keep within its budget. It supported members of staff who were not found to be competent, it maintained courses that were not viable and it had paid the recommended salary increases year by year. The Principal thought that non-FEFC income could be increased by 10% annually, but the Director of Finance could not see alternative sources of income from the private sector. The non-FEFC contracts that had existed had been lost so that there was not a clear idea how to achieve the Principal's target.

The main purpose of the College farm was as an asset kept in reserve to be sold in the future. However the value of this asset was unclear and meanwhile the College had to cover the management costs. It was considered to be a safety net for the College finances but there had been little attempt to clarify exactly how useful it was to keep it. The relatively low ALF of the College meant that it had not had to make savings to achieve convergence with the FEFC target level of ALF but it had still had to make efficiency savings. There had been saving made through an increase in the work load of staff and by making new senior management

appointments largely by promoting existing staff and by reorganising the structure rather than employing new staff. The Deputy Principal had not been replaced directly in 1998 so that some of his salary costs had been saved as a result.

In terms of strategy and approaches to strategic change the interviews revealed that there was a lack of ambition in the College which could be described as a “head in the sand” approach. There was an unwillingness amongst senior staff to face the changes that incorporation had brought about. The strategy that had been followed had been to attempt to continue to manage the College as it had been managed before incorporation, so that there was no attempt to develop strategy as stretch and very little ambition shown in moving forward in particular ways. The Senior Management Team and the Principalship saw their role as cushioning the College from the effects of FEFC funding and the implications of incorporation. Management information, marketing and human resource management had not been given high priority. Although there was a strategic approach in concentrating on vocational programmes and closing academic courses, such as GCE ‘A’ levels, this approach had not been provided a strong focus through market research, so that vocational areas that were not viable were not closed and areas that were expanding had been offered little help. The Principal felt a social obligation to providing courses for local people, although he was not clear how those courses that were not viable would be subsidised over a period of time.

There was a tendency to look back to the pre-incorporation period where the LEA had held final responsibility for the strategy and the survival of the College. In considering the possibility of mergers with other institutions, the Principal could be

seen to be looking for someone else to take over these responsibilities in place of the local authority. While this was a strategic position it was not being strongly followed up because the College was not making itself particularly attractive to potential partners by changing the organisation and culture of the College to meet the needs of the post-incorporation environment. While the Senior Management Team recognised that changes had occurred in the context in which the College was working as a result of incorporation, the strategy they had introduced to cope with these changes was to do the minimum necessary to manage a successful college corporation. In terms of the conceptual framework, the senior managers understood that the outer context in which they were working had changed and they had made some attempt to reorganise internally, but they had not developed sufficiently a strategy in terms of the content and process of strategic change to meet the requirements of the new environment in which they were working.

There was little evidence of an attempt to 'position' the College in the sector, or providing a 'strategic direction' for it or to use resources in new and innovative ways. The variety of answers to questions about the future development of the College suggests a lack of a shared vision and a lack of leadership. In terms of Newman's model (1994), little connection had been made between strategic management, the management of change and the organisation culture.. The consideration of possible mergers appeared to be seen as an escape route where the College would be taken over so that future problems could be solved by someone else. Although there had been some reorganisation of the College in response to changes in its environment, there was little evidence that the College had adopted strategies which would enable it to cope successfully with future changes.

Chapter 7 Case Study 2: ‘A sense of purpose’

7.1 Background to College D

The College, situated in a large town in Northern England in the FEFC Yorkshire and Humberside Region, had developed as a result of a number of mergers. The last of these was in 1990 when a small college, mainly concerned with adult education, was merged with the further education provision in the area. Previous mergers had involved further education provision dating back to the 1960s and a college of education dating back to the 1940s. As a result of these mergers the College offered the only further education provision in the area. It was a large College, in the top 14% of FEFC funded colleges, enrolling over 23,000 students, including 4,000 full-time students. It was the only provider of further and higher education in the travel-to-work area that includes a population of 290,000. The College was in strong competition with local secondary schools. There were 16 secondary schools, 13 with sixth forms that competed with the College for post-16 year old students. There were four further education colleges within a twenty-five mile radius, although the nearest one was 17 miles away. Competition from these colleges was felt only at the periphery of the College local ‘travel-to-College’ area.

A range of College documents were consulted for reference, including the 1996 FEFC Inspection Report, the College Strategic Plan 1997-2000 and Strategic Update 1999-2000, the Strategic Marketing Plan 1999-2000, the College Charter (1996), the Staff Handbook and copies of the College weekly news sheet. The College was situated on four sites, one in the town centre, two near the centre and

one six miles away. It was a general further education college which offered a significant amount of higher education through to postgraduate level. The break down of students was:

16-18 age group	15%
19-24 age group	16%
25 and over age group	67%

In terms of the level of study:

22% of students at foundation level
39% at intermediate level
21% at advanced level
14% in higher education
4% in non-Schedule 2 courses

Foundation level included courses at approximately GCSE level although many of these were vocational (NVQ and GNVQ) or preparatory courses, intermediate level included students on GCE 'A' level course and equivalent vocational courses, advanced courses were post 'A' level professional courses including HNDs and HNCs, higher education includes degree level work and postgraduate courses, non-Schedule 2 were courses outside the funding regime of the FEFC including some adult education courses and training programmes.

Students were studying in a range of curriculum areas, with approximately the same number in humanities, business studies, sciences and health and community care. The curriculum areas of engineering and of art and design had slightly fewer students and smaller areas of the curriculum include construction, hotel and catering, basic education and agriculture. The College had consistently met its

enrolment targets since incorporation. It had experienced more difficulty in meeting retention and achievement targets. The 1996 FEFC Inspection Report on the College stated that *"targets for student attendance, retention and achievement are set at college level, and modified by course teams in the light of their experience. Although the targets are set, their impact and influence are limited - for example, some course and faculty reviews contain no evaluative comment on enrolments or examination results, even when they fall significantly below targets"* ('D... College, 1996, FEFC Inspection Report, p 18). The College mission was: *"to meet the needs and aspirations of individuals and organisations by providing high quality vocational education and training, and to enhance the quality of life by its service to local communities. In partnership with local employers and the Training and Enterprise Agency, the college aims to contribute to the development of a highly skilled and motivated workforce which will assist in the regeneration of the regional economy."* (FEFC 1996, page 2)

Interviews were carried out over three days with two members of the College Governing Body and twelve members of the College staff. These were the Principal and Chief Executive, four senior managers, three middle managers, a cross-college co-ordinator, two lecturers and a union representative.

7.2 Causes of change

The main causes of change in recent years were identified by all interviewees as resulting from the FEFC funding mechanism. While senior College staff, particularly the Principal, saw the main result of incorporation to be a greater freedom of action combined with the restraints of FEFC funding, more junior staff

saw the effects of funding changes without any increase in the freedom of action. In his interview the Principal said *"I welcome the freedom incorporation provides. It enables things to move through faster and enables investment in the College and its growth"*, while the Director of Finance said *"the College responds to the funding methodology"* and a Head of Section said *"before incorporation we had to keep the students until November the first, now the emphasis is on accountability and quality"*. A Lecturer saw accountability as a major problem particularly in terms of "retention and achievement targets". Another Lecturer felt that *"the new contract was the major change brought in since incorporation"*. This view was supported by the union representatives and by the Head of Personnel. She felt that the main problem that had faced Personnel on incorporation was *"the downsizing of the College budget and the dispute over the staff contract that followed"*.

A Head of Section felt that since incorporation *"the College is much more business-like and there are problems with lecturers who live in the past"*, while a Dean of Faculty epitomised the College since incorporation as *"more investment, but less service"*. It had been an exciting time because of investment, he felt *"there has been growth but not too many jobs."* He compared the College since incorporation to a National Health Service Trust Hospital where the buildings were in better repair and there was more equipment but the service provided was worse than before. He believed that the learning experience of students in the College was not as good as before incorporation and the range of opportunities provided and the responsiveness of the service offered was reduced.

A Head of Section, who had been in the College for sixteen years, felt that one of the main causes of change was the change of Principal. With the present Principal, who had been at the College ten years, *"you know where you stand, even if you don't always like the position you find yourself in."* He described the previous Principal as a gentleman and his management style as woolly. He felt that there was now a much stronger financial regime than before and a different management approach. *"It is much more business-like,"* she said, *"and there are problems with lecturers who live in the past"*. He felt that the next big change would occur when the present Principal retired in eighteen months time.

A Lecturer, the Union Representative and the Head of Personnel all felt that the main change brought about by incorporation was the change in contracts for staff in the College. Incorporation was the cause of the change but they saw the effects in terms of the contracts rather than the College need for accountability or the need to react to the funding mechanism. This could be seen as a reflection of their own roles in the College, which were less to do with College strategy and more concerned with day-to-day teaching and management.

Competition was seen as a major cause of change in only some areas of the College work because of the relative geographical isolation of the College and its travel-to-College area meant that since the formation of the present College as a result of mergers there was very little competition from other FE institutions. At the higher education level there was competition from regional and national institutions, but little competition for local provision. The main competition was in the course

provision for the 16-19 age group where there was strong rivalry with school sixth forms.

New technology was not felt to be an important factor in causing change in the College. In itself it was seen as a cause of changes to the curriculum and the way it was delivered, but in terms of management and strategy new technology was seen as a by-product of other changes that had taken place. As a result of the changes to the funding mechanism much more information was required than previously about College activities in order for it to obtain its budget. The Director of Finance pointed out that prior to incorporation the College received much the same budget each year through the LEA providing that its enrolments were much the same as the previous year. *"Now the College responds to the funding methodology,"* he said.

The funding methodology had itself changed a number of times since incorporation, each time requiring both more and different information from the College. As a Section Head pointed out *"at the start of incorporation the College under-claimed because it did not understand the funding methodology."* Since then the view of those interviewed was that this understanding had increased considerably, but the problems of collecting the required data have remained great. There have been a number of attempts to introduce a management information system (MIS) to deal with this problem. This has been felt to be very important, but it has proved difficult because of a lack of effective systems, staffing difficulties and cost. These difficulties have been highlighted by the fact that in 1999 a completely new system had been introduced and a new member of staff had been appointed to run it. A Dean of Faculty said *"it will be great, post my retirement if*

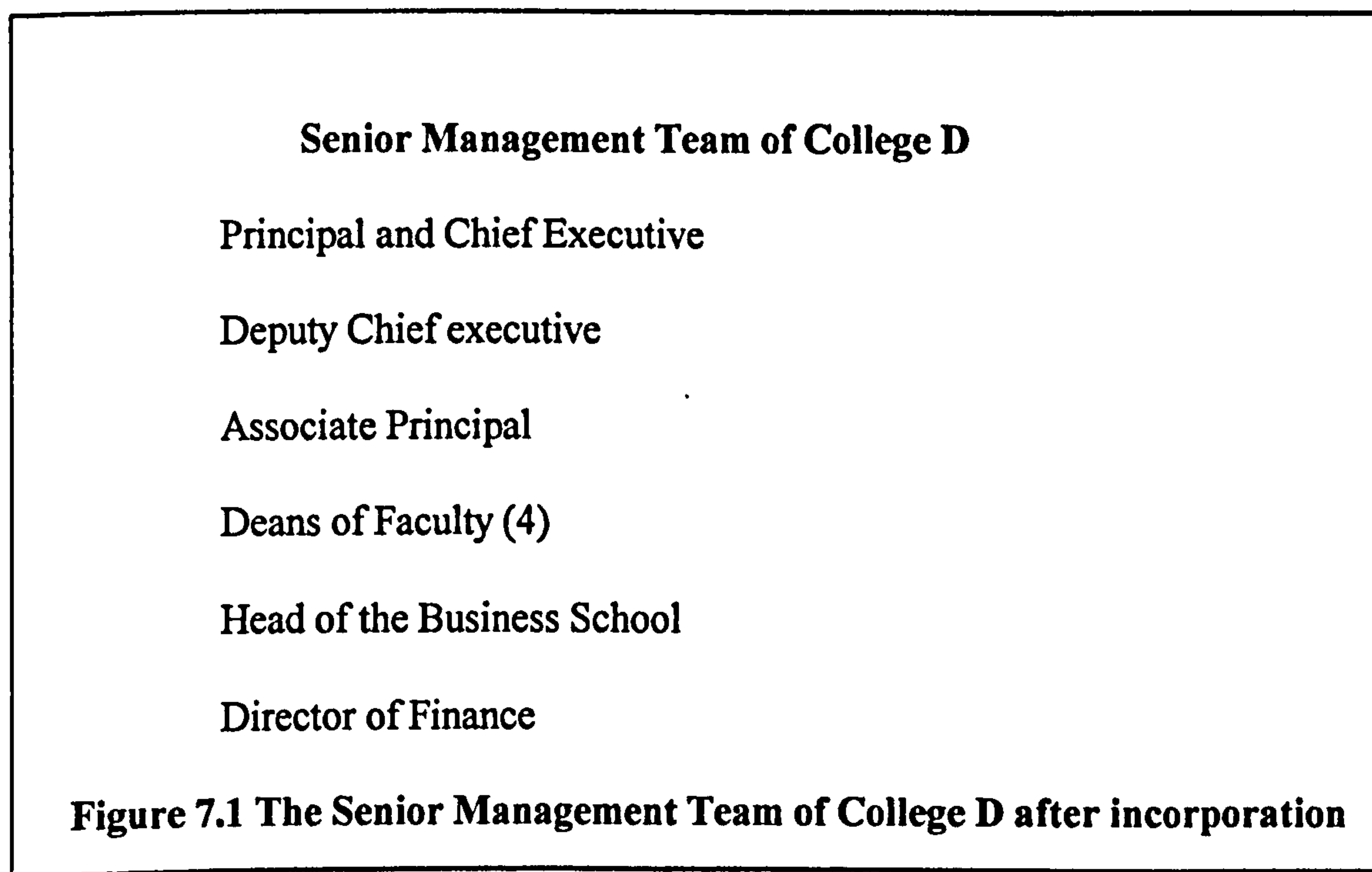
any of these management systems actually work.” He continued: *“what is needed is a ‘people first system’”.*

The Director of Finance’s views was that *“once the faculties become used to it”* the new MIS would help, although at the moment he felt that there was limited feedback from lecturers and courses. *“Lecturers do not understand that it is not bureaucracy but information that decides whether they are paid or not,”* he said, and added *“somehow we need to find a way of exporting pain back to the information generators”* so that they understood the significance of the information. A number of those interviewed felt that the information required by the FEFC in terms of student numbers, their progression and achievements was often recorded differently by courses, sections and faculties and the College. Most of the information was collected manually and was then at some point transferred to a computer-based system. This was a slow process as indicated by one of the Lecturers interviewed who had waited three months to receive her registers because they were waiting to be transferred to a computer.

Even in terms of the curriculum, information technology was thought to be *“not very important”* by the College Curriculum Co-ordinator because *“it is still in its infancy.”* However, IT was used on all courses and there was an open and flexible learning unit on all the College sites. The growth of IT in the curriculum and in curriculum delivery was a factor for many years prior to incorporation. In management terms, the College was attempting to react to the needs imposed by FEFC funding processes and this was seen as a problem to be solved rather than a factor for real change.

7.3 Organisational changes

The Senior Management Team (SMT) of the College after incorporation was as shown in Figure 7.1.



The Head of Marketing was appointed in 1999 as an additional member of this Senior Management Team. The curriculum was delivered by the four faculties, each with a number of sections in which there were course teams. The 'Principalship' consisted of the Principal, the Deputy Chief executive and the Director of Finance. Other senior staff, who were not part of the SMT, included the Head of Personnel, the Estates Manager, the Head of College Learning Resources, the Director of Information Technology and the Academic Registrar. The structure had been reorganised in 1999 when there were some adjustments to the faculties, the Faculty Heads became Deans and the Head of Marketing was appointed.

In terms of managing the College, the senior managers agreed very strongly that the move away from the local authority as a result of incorporation had been an advantage. This was true for all management functions such as financial control, personnel management, building maintenance, marketing, course development, student services and commercial activities. It was also the strongly held view that the College had coped extremely well in all these areas since incorporation. In preparation for the changes introduced by incorporation the main functional managers had been appointed, in finance and personnel in 1992 and in marketing and estates management in 1993. While the other appointments had been made at senior management level, the marketing manager had been appointed as an administrator at a more junior level.

The members of staff who were interviewed who were not senior managers had a different view of the results of incorporation. The Cross College Curriculum Coordinator felt that *"the funding mechanism is not student centred, it is funding centred...so the funding process does not encourage students to learn, it encourages colleges to learn about funding."* At the same time she felt this process had produced a situation where *"payment by qualification has discouraged learning for learning's sake."* From her point of view incorporation had developed hand in hand with a funding mechanism which had adversely altered both student perceptions and the delivery of the curriculum. This view was supported to some extent by a Head of Section who felt that *"the funding methodology pushes the College towards NVQ because it pays best."* The Director of Finance confirmed this by saying that *"the College responds to the funding mechanism by focusing on qualifications which provide extra funding units."* He noted that areas of the

curriculum which were not funded were stripped out of courses and the ones that remained were organised at a minimum level. He thought that this might mean that students did not receive a rounded educational experience.

At the same time the Head of Personnel felt that the main problem following incorporation for the Personnel Department was the dispute over staff contracts. This view was supported by the union representative who felt that it was now more difficult to recruit staff than before incorporation because of the new contracts and the banding system. This system meant that all staff salaries were based on a small range of incremental points on the appropriate scale rather than on the whole scale. Teaching hours had been increased from an average of 19 hours a week to 24/25 hours a week and working weeks had been increased from 36 to 38 week a year, at the same time there had been an increase in administration with the need for more and more information.

One Lecturer summarised the situation by saying *"I have more teaching hours, less holiday and lower status."* She described lower status in terms of the salary banding system. Instead of a fourteen point incremental scale for lecturers, five bands had been introduced dividing up this scale and members of staff had been placed or appointed on what was felt to be an appropriate band. In her case she had been placed in Band B, which was one from the lowest, so that instead of being able to move up the incremental scale to the top over a number of years, she was stuck in this narrow band. Also from her point of view the new contract had been *"imposed"* on her. After incorporation she had chosen to remain on the Silver Book

contract, but after several years of not receiving any pay increases on this contract, she had moved onto the new contract.

The Personnel Manager expressed the view that although there were still some staff on the Silver Book contracts, the dispute over contracts had effectively come to an end. She confirmed that staff on the Silver Book had not received annual pay increases and therefore had not received pay increases for six years, and although there had been attempts to discuss this situation in recent years, as far as management was concerned there was nothing to discuss. Those who wanted to move onto a new contract could do so. A Lecturer, who had accepted the new contract, was more positive about the results of incorporation. *"We still have what's best for the students at heart,"* she said, *"we still have pride in what we do."* The main problem she faced was a lack of resources in terms of a lack of books and a shortage of base rooms, although this problem was not particularly linked to incorporation. The lack of books was due to the increase in their price and the difficulty of some students with being able to afford them. She did feel that retention and achievement targets were a problem, but not *"when we have the right students in the right numbers."*

The Principal argued that the organisational structure of the College has not been changed as a result of incorporation. He confirmed that most of the structure reflected curriculum needs. There had been changes in 1999, but these had amounted to alterations in the courses included in particular Sections and Faculties and a change of name for Faculty Head who became Deans. Incorporation did lead to the appointment of an accountant to be the Head of Finance in 1992, with a

personnel manager appointed the same year, a marketing specialist and an estates manager in 1993. The much greater importance of the finance and personnel functions was a reflection of the transfer of responsibilities from the local authority.

Since incorporation, the number of senior managers had declined and the number of administrators had increased, while the number of layers of management had been reduced. The College was described in the questionnaire as fairly centralised, based on faculties and teams. Fewer full-time teaching staff were employed by the College compared to pre-incorporation, with more part-time staff. One of the Lecturers interviewed was still on a number of part-time contracts even though she had a more than full-time work load. She felt that the re-structuring of the faculties in 1999 had not produced much change from her point of view.

7.4 Funding and finance

The College was felt to be slightly better off since incorporation, although the Director of Finance and the Principal both noted that there was much more work in order to obtain more or less the same total budget. After incorporation the Principal and the Director of Finance confirmed that about 63% of the College budget came from the FEFC with other income coming from the HEFCE, tuition fees, grants, education contracts, short course income, Government initiatives, such as the New Deal and Modern apprenticeships and income from the TEC.

The Director of Finance felt that the College was "*generally quite healthy in its size and development*" although the budget was still a worry. FEFC funding had been reduced by 30% over the years as a result of efficiency cuts and the unit of

funding had to be reduced from £22 to £17.50 in 1996/97. This meant that £1 million had to be removed from the staffing budget in order to achieve this and the College budget had to be reduced by 7% a year for three years in order to consolidate convergence. A redundancy programme had enabled the required adjustments to be made and the Principal thought that the College had recovered from this very quickly.

7.5 The role of the governing body

The Principal confirmed that the structure of the College Governing Body had changed as a result of the Further and Higher education Act 1992. The number of governors had been reduced to fifteen and the majority of them were from the business sector. The Principal said that since incorporation the GB had been in effect the College Corporate Body, accountable to the FEFC for the financial health of the College and its overall conduct. The GB was felt to be extremely important in terms of defining College policy, monitoring the implementation of policy and appraising management performance. One Governor felt that he knew what was happening in the College because he was Chairman of the Audit Committee.

Another Governor interviewed (who had been Chairman of Governors for nearly three years) felt that the GB could influence College policy and strategy only to a small extent. He felt that the GB *“puts a public stamp on what the College decides to do”*. He thought that *“the powerhouse of the GB is the Finance, Personnel and General Purposes Committee”* and that while the committee system worked well, the level of debate in the whole GB was poor. A ‘buddy’ arrangement had been made which was meant to bring governors in touch with the life of the College.

The policy was to pair-off Governors with lecturers and sections in the College, but he found this process to be *“a bit arranged”* and also he thought that *“governors are seen as part of management”* so that it does not work very well. He believed that the College had changed since incorporation in a number of ways. He thought that lecturers were resentful about their contracts, the FEFC approach had had to be understood so that senior managers had had to change from managing just the curriculum and timetables to a full management role. He said: *“the Governing Body has had to stop management running headlong into commercialism, because finance has been felt to be everything.”*

7.6 Consultation and communication

The Head of Personnel felt that *“the culture (of the College) has changed over the years”* helped by effects of the FEFC Inspection in 1996 which had united staff against this external inspection. She also pointed out that the redundancy exercise in 1996/97 had *“had the effect of concentrating staff minds on the changes in the College since incorporation.”* The budget cuts in FEFC funding in 1996 had made this necessary and fifty full-time members of staff had been made redundant. She thought that the inspection and the redundancy programme were something of a watershed because they emphasised the fact that the College stood or fell on its own and that there was not going to be a return to the pre-incorporation days. *“Two years ago, College goals were introduced,”* she said *“in order to help to change the culture.”* These goals provided a framework for measuring achievement encouraged by equal opportunities policies and quality developments.

She thought that a staff welfare programme was an important issue for all staff, both full-time and part-time in order to improve College culture. This programme included free professional counselling, free leisure courses, membership of a leisure club and a 'family friendly' policy to provide career breaks and leave of absence. As a part of the equal opportunities policy part-time rates of pay were integrated with full-time rates. This was made possible because full-time staff were paid in salary bands. She felt that cultural change had been assisted by Annual Questionnaires which had been issued to staff in order for them to comment on their line managers and on other matters. There were also 'Stop the Track' days when normal work was stopped for a day so that training programmes could be provided for all staff. All College staff were mixed together on these days across teams and sites in order to help create cohesion in the staff.

She said that the new Marketing Unit had attempted to improve the motivation and moral of staff by recognising staff achievement and by improving communications. For example, it was planned to produce a newsletter in the year 2000 devoted to staff achievements. The Unit was also looking for other quality improvements because these were felt to help to change the College culture. She pointed out that the College Strategic Plan stated that *"central to the College's goal is an open and positive culture throughout the College which encourages innovation and staff commitment at all levels of the organisation. There will be continued efforts to improve commitment at all levels of the organisation. There will be continued efforts to improve communication, encourage participation in planning and decision-making and develop the College's corporate culture."*

The Union Representative (NATFHE) felt that there had been quality improvements in the College in the last five years, particularly in facilities, and he thought that course managers were now more pro-active than before and that people were managing change better. However, consultation and communication *"are not well targeted and the worst area of communication is in terms of the management of change,"* he said *"where we are going and how we are going to get there."* For example, he felt that there had been very little discussion about the introduction of a management information system. Lecturers needed to know what they had to achieve in terms of student enrolments and unit targets, retention and achievement targets and needed a better understanding of funding. *"Lecturers understand the funding needs of the College,"* he said *"but they don't understand why they don't do better."*

He also noted that good teachers had left the College or tried to reduce their hours in order to improve the quality of their work. Salary levels were not good enough to attract good staff and it was difficult to recruit staff because of the banding system. Also averaging had been introduced so that teaching hours were calculated over a thirty-eight week year and lecturers could have to teach very long hours in some weeks. *"The way the rules are applied on these matters,"* he said *"depends on the Faculties and on Section Heads, some Sections apply the rules sympathetically, others don't."*

The Principal provided a statement of the 'College Ethos' which was a part of the College Charter. It stated that *"the new independence of the College brings about an even stronger need to manage the College in a 'business-like' fashion. This may*

access to these pupils and strongly encouraging their pupils to stay in the school even if the range of post-16 courses on offer were limited. *"We get the youngsters the schools don't want,"* a Lecturer said.

Competition was also felt from private sector training agencies. The Section Head for Engineering described strong competition from an engineering employers association which had been formed after a major local company had had a disagreement with another Head of Section. This company had encouraged other companies to join it in forming an Association which provided training for their employees. *"This Association is well supported by the local TEC because it is part of the private sector,"* the Section head explained.

7.8 Marketing

A marketing specialist was appointed in 1993, although not at senior management level, but as an administrator charged with organising publicity and public relations. This appointment reflected a point made by a Deputy Head of Faculty said that *"the view has been that marketing is sticking adverts in the paper"* and marketing consisted largely of publicity and public relations. One of the Governors interviewed said that for over five years the GB has tried to encourage the introduction of marketing into the College, *"but there is a lack of understanding about what marketing is really about."* In 1995, the marketing budget which was £125,000 was all used on advertisements. The view of the College, the Governor felt, was that *"we know what we want, we provide the right courses and they can come and do them,"* he said, there was no question of asking the public or potential

students what they wanted, the attitude was: *"we provide what they need, because they don't know themselves."*

The limited interest in marketing by the senior management team was partly a reflection of their view that there was little competition to the College. In 1997 marketing consultants were employed, on the prompting of the governing body, who proposed the appointment of a marketing specialist at a senior level. The mistake the College made at that time, in the opinion of one of the Governors interviewed, was that it was looking for someone with further education experience as well as experience in marketing, they were limited in their range of applicants by FE salary scales and they were not offering a high enough salary to find anyone who was competent. In 1998/99 the Head of the College Business School and the Senior Marketing Lecturer were asked by the GB to produce a report on what the College needed in terms of marketing. As a result of this in June 1999 the Senior Marketing Lecturer was appointed Head of Marketing for the College as a member of the Senior Management team

The role of the Head of Marketing was to create a marketing information system, to centralise the marketing activity of the four faculties and the four sites, to inform marketing plans produced by faculties and to alter the College culture by internal marketing through a more client centred and high quality approach. A Governor interviewed felt that marketing was a question of positioning, so that this should be the central plank of College strategy which should not start from the premise of the College specialities, but from the point of view of what people want. The Head of Marketing had worked in operational marketing in the private sector before he was

appointed to the College in 1990. He felt that the question of 'profit' should be clearer in the College and that the word 'customer' should be used to describe students. He felt that there was some cultural change in the College because staff were using these words more frequently and the word 'customer' was not felt as much as it had been to be 'a necessary evil'. *"There is some realisation,"* he said, *"that we are running a business, but not by the majority. Marketing remains an ad hoc arrangement for most staff."* Market research was part of his brief to include information from the marketplace through primary questionnaires, plus secondary information including local market information from the TEC. He had appointed a Marketing Database Officer to help with the market research.

The Governor thought that the College might be on the right lines in terms of marketing now, but he would want to wait and see before he made a judgement. A Deputy Head of Faculty said that there was no Labour Market Intelligence Unit in the College although this might change in the future. The Dean of Faculty interviewed had little to say on marketing except that *"the image of the College has improved over the years."* One Lecturer was *"involved in marketing in terms of open evenings, developing flyers, adverts and displays."* Another Lecturer had noticed that there was a new form from the Marketing Unit to be completed and analysed which was called the Student Perception of Course or SPOC, which was as far as she was concerned another piece of paperwork to complete. A Head of Section interviewed had considered marketing to be advertising, but now there was a Marketing Unit there was a system where problem areas, such as a shortage of students on a particular course, were put into an order of priority and passed onto the Unit for action. The Principal said that *"marketing has been developed in the*

last year as something more than publicity and public relations, because market research has now been introduced."

In May 1999, a small sample of middle and senior managers were surveyed by the Marketing Unit to establish whether they perceived the College as an organisation with an integrated marketing philosophy. It was found that there were barriers to overcome in all areas of the College and a lack of belief and interest in marketing planning so that this survey highlighted the lack of integrated marketing in the College since incorporation.

7.9 Strategic planning

College strategic planning was described by a Dean of Faculty as *"gradually moving from an exercise to an exercise,"* (by which he meant that it was an abstract exercise), while *"quality has been driven down as the service provided by the College has been reduced."* The Union Representative felt that *"the worst area of communication is in terms of the management of change,"* while a Governor of the College felt that marketing should be *"the central plank of College strategy"*, and that the College should become more client centred. In August 1999 the new Head of Marketing produced the first Strategic Marketing Plan which was for 1999-2000. This started with an analysis of the College strengths, weaknesses, opportunities and threats (SWOT) translated into key issues for the College and future strategic and operational plans.

College goals were identified in the College Strategic Plan and summarised for wide distribution throughout the College on posters. The most recent goals were

“working to provide skills and knowledge to the whole community” by: a range of methods including:

- improving access, recruitment, retention and achievement of students
- increasing income
- making the best use of all resources
- improving planning

These goals were to be achieved by methods such as:

- individual contributions to the wider business needs of the College
- promotion of teamwork
- promotion and support of systems to bring about change

A Lecturers described the strategic planning process from her point of view as starting when Course Tutors attended section meetings at which Faculty strategic plans were discussed and these were fed down to course team members. A Head of Section felt *that “strategic planning is a numbers game; at Section and Faculty level it is really operational planning because it is very detailed year by year, although it is meant to look forward three years.”* The Principal described the strategic planning process as one which involved Faculties, Sections, and Course leaders in agreeing targets for student/unit numbers, *“although the final detailed plans are decided by the Senior Management Team.”*

The Director of Finance said that unit numbers were discussed between the Principal and the Faculty Head or Deputy Faculty Head; the faculties are then given income targets; *“so the strategic plan can be said to be a down/up model,”* he said.

However, faculty strategic plans were produced too late to be included in the College Strategic Plan, *“so it is really a top-down strategic plan.”* The Principalship has an idea of the targets each faculty can achieve and it adjusts these to fit into the overall College targets. *“The bottom-up plan,”* he said, *“from the faculties is really an operation plan, which describes how they are going to achieve their target unit numbers.”* Resource allocation within the college is based on what the Principal described as ‘profit centres’ which were themselves based on curriculum areas. These centres were set targets and had to make a 50% contribution to the centre for overheads (this was 50% of the costs of running courses in a particular area, so that costs should not exceed 50% of income).

The 1996 FEFC Inspection Report stated that *“the strategic planning process is consultative and systematic”* (page 6). It went on to describe the process as fully costed with a clear timetable for the completion of different components of the plan. It stated that the College had produced detailed yearly operating statements in the two years before the inspection which had showed that the College had made significant progress towards meeting many of its targets. The Inspection Report also noted that all faculties produced strategic plans with clear aims and objectives and included a review of performance over the previous year. Curriculum sections in the faculties produced action plans. *“Targets for students’ attendance, retention and achievement are set at College level, and modified by course teams in the light of their experience.”* It was felt by the inspectors that *“although the targets are set, their impact and influence are limited - for example, some courses and faculty reviews contain no evaluative comment on enrolments or examination results, even when they fall significantly below target.”*

This view that strategic planning in the College was consultative and systematic contrasted with that of the staff interviewed, who were mainly involved in curriculum delivery such as the Head of Faculty, Head of Section and a Lecturer, who felt that strategic planning was an exercise, a numbers game, with quality being driven down and in fact more of an operational plan than a strategic plan. The Director of Finance agreed with this assessment, suggesting that although there was an element of consultation in producing the strategic plan it was really a top-down process, while the Faculty Strategic Plans were really operational plans. Those interviewed did not identify a strong link between the strategic planning process and College strategy, because strategy was decided by senior management and the strategic plan was felt to be an exercise to satisfy the FEFC.

7.10 The future development of the College

There were different views expressed in the interviews about the future of the College. The Principal thought that the future of the College was in higher education while other people interviewed had a different point of view. The Principal looked forward to the College developing into a 'CAT', a College of Advanced Technology, based on the expansion of higher education provision. The College had linked up with seven other 'mixed-economy' colleges who were seeking to provide employees with accreditation and skills, targeting the 25-45 year old age group, with the qualifications accredited by the Open University. The Principal said that this initiative had been described in the education press as an attempt to recreate the polytechnics. The College had twenty-six higher education courses covering a wide range of academic areas and attracting two and a quarter

million pounds from the HEFCE (and before it from the CNAA and NAB), and there has been a 25% increase in the 18+ age group in the College in recent years.

The Principal pointed out that in 1996 at the time of the FEFC Inspection, 67% of the College student population was over 25 years of age and 16% over 19 years of age. Therefore the majority (83%) of students in the College were adults and a significant number were on higher education courses, while the main competition to the College was in the 16-19 year old age group. The College Strategic Plan Update for 1999-2000 focused less on higher education and saw priorities in terms of:

- maintaining and consolidating the growth in FE
- improving recruitment to a responsive range of HE programmes
- raising participation, achievement and employability of local residents
- raising standards of attendance, achievement and progression
- continuous investment in staff and teaching facilities
- maintaining and developing a positive College culture based on innovation, performance, attainment and a full contribution by all staff

A Governor interviewed felt that the College should concentrate on further education and on training, because there were plenty of universities who provided higher education and the local need was for further education and industrial and commercial training. There was a limited local need for higher education. He felt that marketing should be central to College strategy and this strategy should be all a question of market positioning. While the senior College managers wanted to expand HE and develop the College in that direction, the Governor felt that the

correct positioning was in FE, providing for adults, as a centre of vocational training and lifelong learning.

The Director of Finance felt that the College was *“generally quite healthy in its size and development,”* although there was still a worry over the budget. The College had recovered financially from the problems it face in 1996/97, he said, but he was concerned about spending the College reserves, which had accumulated from operational surpluses, on a new building, even though this would consolidate the work of the College onto two main sites. Also the proportion salaries represented of the overall budget was rising again after falling over the earlier years of incorporation, when the number of staff were reduced. He thought it was likely that this proportion would continue to rise because of a shortage of middle managers and administrators which would mean more appointments in these areas in the future. Yet another factor was the difficulty of claiming money from all the different sources which now comprised the College budget which including the FEFC, HEFCE, TEC European Fund, Social Services funds.

He felt that there had been a lack of training for all the changes that the College had faced. There had been no training on the commercial side and although there was some commercial sense in the College *“it will need many years,”* he thought, *“to take all managers through this.”* There had been a lack of management training at the time of incorporation and this was still the case. In contrast to his experience of the private sector, College managers did not have the on-the-job management training and development that they needed. At the same time, he thought that amongst the College staff in general *“the mind set is still in local authority mode so*

that if there is any money left in the capital budget bids are put in for it." This means that instead of working out what they need in order to deliver their courses, members of staff bid for money if they know its available. *"They can always put a bid in for a few more computers,"* he said.

The Head of Personnel felt that the College had "a bright future" because it was *"a good College with money in the bank and good people in post."* Strategic appointments had been made in recent years so that the College was likely to *"go from strength to strength."* A new Principal would be in post in 2001 and much depended on him or her. A Section Head was also concerned about a change of Principal because with the present one *"you know where you stand."* A Dean of Faculty felt that the main changes in the College had arisen because of what individual Principals and groups of Principals felt they should do. They were told by the FEFC or the Association of Colleges or the College Employers Forum, *"this is what you should do"* so they felt they needed to do this. He felt that this was *"a model of disorganised chaos."* *"At present,"* he continued, *"it feels like being a spitfire pilot with the number of people in the Faculty leaving"* so that the *"layers of people to provide direction have gone."* The organisation charts are all very well, he said, but *"what do they think they are running?"* *"Everybody is too busy and overworked,"* he said, *"there is a saying, slow it down and work faster."* He thought that the funding mechanism has distorted the purpose of education because it is now based on *"national needs while local needs have been driven out."*

A Deputy Head of Faculty said that he had no clear view of the way forward for the faculty. He would like to start a new business development unit in the faculty,

but the problem was that it would be competing with the rest of the College. He thought that areas such as data collection, resource allocation and development were organised better in his previous College. A Lecturer interviewed was optimistic about the future because the staff *"still have what's best for the students at heart"* and *"we still have pride in what we do"* and *"if you want to be involved you can."* Another Lecturer was not optimistic, *"it is now a luxury to prepare as we want,"* she said, *"teaching is not important except to me"* and *"the important thing is to get the paperwork done."* The Curriculum Co-ordinator felt that *"people are weighed down by funding and its implications"*, while a Section Head felt that the problem with any development was finding the funding.

7.11 Key issues that arise from this Case Study

The different views expressed about the future of the College was an indication of a lack of a shared vision on a strategic pathway for it. There were clear differences between the view of senior managers, of governors and that of other staff. The senior managers saw the future in terms of higher education, governors put a greater emphasis on further education and training while other staff in the College were concerned about the pressures on curriculum delivery as a result of the funding mechanism. One of the governors was optimistic about the future of the College because the structure was right even if the strategy was not, because while there was a sense of purpose amongst the senior managers, so that they had developed the right structure, an outward looking marketing strategy had not been developed.

The idea of a senior management with 'a sense of purpose' was supported by the Head of Personnel who was optimistic about the future because the right people had been appointed in strategic positions. The College senior management had welcomed incorporation and key appointments had been made at an early stage in order to cope with the results of it. This view of senior management was highlighted by a Head of Section who was concerned about a future change of Principal. On the other hand a Dean of Faculty felt that Principals did what they were told to do by the FEFC or by the College Employers Forum and that the funding mechanism had distorted the purpose of education. A Deputy Head of Faculty did not see a clear way forward for his faculty and the College Curriculum Co-ordinator felt that people were weighed down by the needs of the funding mechanism. One Lecturer interviewed was optimistic about the future because the staff still had student interests at heart, while another Lecturer was not optimistic because the main priority in the College had become the completion of paperwork.

The Head of Personnel thought that there had been attempts to influence the organisational culture of the College through a staff welfare programme. However she felt that the main influence on the organisational culture was the FEFC inspection followed by the redundancy programme which had brought home to all staff the new environment in which the College was working. It was not until 1999 that a range of activities and proposals were initiated in order to encourage a shared vision across the College. These policies came about after a change in strategy in terms of a key issue for the College which was marketing. Until 1999 marketing had played a very limited part in the formation of strategy. In contrast to the period before 1999, once the Marketing Director had been appointed a number of surveys

and other activities were developed concerned with customer and stakeholder satisfaction. At the same time the plans that were being developed for the period from the year 2000 suggested a much greater marketing orientation. This change in emphasis highlighted the lack of the collection of systematic information through market research and the absence of marketing as an integrative function in the work of the College for the six years after incorporation. While the College was meeting its enrolment targets and its organisation and management were adapting to the needs of incorporation, it did not have a clear and agreed strategy for the College through the information that could arise from market research supported by a management information system.

The College management had embraced the new environment created by incorporation by making key appointments, creating new contracts for staff and by reacting to competition. The new appointments had developed the competence to match the needs of this new environment, however this was on an individual basis and not brought together by personnel or internal marketing strategies. There were indications that these strategies might be put into place in the future but in the period of the research project the College strategy had depended on the individual abilities of senior management and particularly on the Principal. There were indications that the Principal had provided strong leadership to the College after incorporation which had led it into the hiatus of 1996/97, and equally strong leadership through this crisis and in dealing with the results of it. While the Governing Body had been advising the Principal for over five years to develop a marketing function, it was not until he was close to retirement that he had actually followed this advice. Meanwhile the College had coped with the changes imposed

on it, including the strong competition from local schools and the Principal had a clear (but not shared) view about the future strategic direction.

In terms of a response to strategic change there was 'a sense of purpose' in the College as seen by the creation of the Sixth Form Centre, the successful encouragement of higher education and the development of its further education provision. The College had developed a strategic position in its markets and there was evidence of strategy as stretch in the creative and innovative use of resources. This approach was a possible explanation of the 1996/97 crisis in that the Principalship had appeared to ignore the requirements of the FEFC and the need for convergence in terms of the Average Level of Funding in order to develop College provision and facilities. The sense of purpose had meant that the College had made moves to establish a competitive advantage in its markets by taking on the competition in the 16-19 age group, looking for opportunities provided by the relative isolation of the College location in higher education and coping with the changing needs of its vocational provision in further education.

The strategy of the College since incorporation could be described as emergent in that actions appeared to be taken one by one which converged over a period of time to some sort of pattern. The cost-driven strategy that had been imposed on the College in 1996 could be seen as only a temporary approach which had interrupted the sense of purpose which the senior management had before and after this period. There was evidence for the return of this sense of purpose in the concerns expressed by the Director of Finance over the use of College reserves to fund a new building to consolidate the work of the College onto two main sites, however he

could describe the College as 'generally quite healthy in its size and development'. He had noted the lack of training for the changes the College had faced and the 'local authority' mind set of staff in general. Even though there had been a staff welfare programme it was only after the appointment of the Director of Marketing that policies were being introduced to encourage a shared vision.

In terms of the Newman approach (1994), there was evidence in the College of the understanding of the dynamic connection between strategic management, change management and organisational culture, particularly in the senior management. Although this interconnection had not been developed through systematically introduced policies, actions had been taken which indicated that it was understood. In relation to the conceptual framework, senior managers had embraced the new outer context in which they were working and they had some understanding of the changes to the inner context. They had adopted an approach to the content and process of change in order to meet the requirements of the new environment in which they were working. How well the College could cope with future changes in its environment could depend on the continuing sense of purpose amongst its senior managers and the introduction of a more systematic approach to the development of a shared strategic vision and the creation of core competence.

Chapter 8 Case Study 3: ‘A cul-de-sac?’

8.1 Background to College L

College L was founded in 1992 as a result of a merger between three existing colleges of further education. At the same time the local authority provided the newly formed College with a new centre in a boys school which had been empty for some years, which gave the College a total of eleven sites, all within the boundaries of the Borough. These eleven sites had been reduced to three within five years of incorporation in 1993. The College was located in the centre of London, in the FEFC Greater London Region, with a large number of other colleges of further education within easy travelling distance. These colleges which surrounded the College offered similar curriculum provision, so that the competition for students since incorporation had been intense. The College was the Borough tertiary college prior to incorporation providing all 16+ age group education so that the Borough schools did not have sixth forms. Since incorporation the schools had not been sufficiently successful to develop sixth forms, although there were a great many schools with sixth forms outside the Borough which were in easy reach of the Borough's population.

The population of Greater London was approximately 8 million and all of these people could travel to the College or to one of its rivals. In practice, the two main College sites were close to major underground lines so that approximately a million people could travel to it in a reasonable length of time, while the population in the Borough was 250,000. These population factors meant that although the College faced huge competition from other colleges, there were also huge opportunities.

Over thirty percent of the local people were from minority ethnic communities, which rose to fifty percent for people under the age of 25. More than one hundred languages were spoken in local homes, which were predominantly of African-Caribbean origin. The area suffered from considerable urban deprivation and it was measured nationally as one of the most deprived areas in England. Unemployment rates in the Borough were significantly higher than the average for London at over 17% overall and over 20% for adult males. Nearly a quarter of the unemployed people were under 25 and there were 9,000 single parent households locally. The number of people continuing their education after the age of 16 was lower than the national average, although it was rising.

In 1997-98 a total of 7,672 students were enrolled at the College on full and part time courses, which produced a total of 5,500 full-time equivalent students. 47% of the students were male, 53% were female, 84% of the students were under the age of 19 years old. 56% of the students were from ethnic minority communities, mainly African and African-Caribbean, 32% of the students were white and 12% were from Asian and other minority ethnic groups. Approximately 3,500 students were on full-time courses. 71% of the courses were at foundation or intermediate level, 26% at advanced level and 3% were in higher education. 537 full-time equivalent staff were employed. These statistics meant that the College had a population of mainly young students, with the majority of them from ethnic minorities and most of them on lower level courses.

The College mission statement committed the College to *“increase the skills of the people in its borough and beyond, enabling them to enjoy developing their full*

potential throughout their life, to the benefit of themselves, their employers and their community. It will do so by offering post-16 provision of education and training, accreditation and guidance which is accessible, cost effective, high in quality and which ensures equality of opportunity.” (FEFC Inspection Report, 1997, page 3 and “Highlights and Achievements” The Annual Review of 1997/98, cover)

Interviews were carried out over a three day period with nine members of the College staff, and one member of the Governing Body. The members of staff included the Principal, Senior Assistant Principal (Director of the Curriculum), two Assistant Principals, two Heads of School, the NATFHE Branch Secretary and two lecturers. Other information provided included the College FEFC Inspection Report, May 1997, the Annual Review of the College for 1997/98 and a Management Structure Chart for 1998/99.

8.2 Causes of Change

The most important causes of change in the College in recent years were identified as the merger of three colleges to form the present College in 1992 and incorporation in 1993 with the subsequent pressure on the College to reduce its ALF to converge with the national target. The reduction in the ALF and its effects was the most frequently mentioned cause of change by those interviewed because its effects were still being felt very directly six years after it first became a factor.

The importance of the ALF in College L arose because at incorporation it was at a particularly high level at £34.15 in 1993/94 compared with the national target of

£18.50. By 1995/96 the College ALF was down to £26.63 and in 1996/97 it was £25.39, by which time the national target stood at £19.97. By 1998/99 the ALF was £22 and it was planned for it to fall to £17.72 by the year 2000/2001 which was thought to be very close to the national average by that time. If this last figure was achieved, it meant that the College ALF had been reduced to nearly half its level at incorporation and this had been achieved by making considerable changes in the College. The three colleges put together had FTE student numbers of 4,550 so that the College with 5,500 FTEs has grown to some extent with about 200 fewer staff.

8.3 Organisational changes

In the National Survey the College had answered the question about the local authority by stating that the move away from it as a result of incorporation had been an advantage in terms of financial control, personnel management and building maintenance. It had been a disadvantage in terms of marketing and made no difference to the curriculum or to student services. The College was felt to have coped well since incorporation in general, financially, in personnel management, building maintenance and marketing, although the College had been worse off financially since incorporation.

The management structure had been changed a number of times in the six years after incorporation in order to reflect the reduction in the number of College sites and the reorganisation of its curriculum offerings, with twelve Heads of School managing areas of the curriculum. In 1996/97 the Senior Management Team (SMT) is shown in Figure 8.1.

The Senior Management Team of College L in 1996/97

Principal

Director of Finance

Director of Human Resources

Director of Planning

Director of Learner Support

Director of the Curriculum

Figure 8.1 The Senior Management Team in College L in 1996/97

Over the next few years a new structure had been introduced which increased the number of Schools to eighteen, with the eighteen Heads of School reporting to four Assistant Principals. Three of the Assistant Principals were each responsible for one of the College centres. Other changes had arisen with the resignation of the Director of Human Resources and changes in the need for 'Planning' as a result of the reduction in the number of College sites. By 1999 the Senior Management Team was as shown in Figure 8.2. The Principal confirmed that the last three Assistant Principals reported to the Senior Assistant Principal while the Assistant Director, Community and Student Services reported to the Principal. The Heads of School reported to an Assistant Principal based on the College centre in which

The Senior Management Team in College L in 1999

The Principal and Chief Executive

Director Finance and Planning

Senior Assistant Principal and Director of the Curriculum (and Human
Resources, and Quality, and Information Technology)

Assistant Principal, Director of Community and Student Services (and
Marketing, and Learning Resources)

Assistant Principal (Centre Director)

Assistant Principal (Centre Director)

Assistant Principal (Centre Director)

Figure 8.2 The Senior Management Team in College L in 1999

most of their courses and programmes were offered. Course Managers were responsible for courses and curriculum programmes to the Heads of Schools while the Lecturers reported to the Course Managers. The Director of Finance and Planning was responsible for the College Accountant, the Business Development Unit and the Facilities Manager. All key decisions in the College were taken by the Senior Management Team and in fact by the three senior members of it who between them were felt to control all the major management functions. Decisions were then passed to the Assistant Principals and through them to the Heads of School.

The Senior Assistant Principal confirmed that most of the management functions were supported by professionally qualified staff. This was true of finance, personnel, information technology, quality control and learning resources. The only major management function where this was not the case was in marketing. The changes in the organisational structure meant that while the management of the curriculum had become more dispersed, the management functions had become more centralised. A separation had been made between the specialist requirements of these functions and their overall control, so that for example specialists in personnel administered the College personnel policies and made sure that the College adhered to legal requirements and other regulations, while control of human resource management remained within the three senior members of the College staff.

One Assistant Principal described the overall changes in terms of *"a huge difference between pre-incorporation and post-incorporation, a phenomenal change."* The local Borough had been *"chaotic"*, so the College had received its annual budget at the end of the year instead of at the beginning. At incorporation the College had an average unit of funding £34.15 a unit, so that it had plenty of money for students. The Principal had said, six years later, that *"it would be nice to have the budget we had at the start with the powers we have now."* In order to achieve convergence, the Assistant Principal recognised that there had to be *"massive cuts and loss of staff, but last year was a cut too far."* Up to that time many of the staff who left were not greatly missed, but last year saw staff leaving

who were missed and this made it *“difficult to retain other staff who were made to feel unsettled.”*

The curriculum leaders interviewed confirmed that the reduction in the number of staff had been combined with a reduction in the hours devoted to each course. Full-time courses had been reduced to the minimum length to qualify as full-time (16 hours per week), while single units (such as A levels) had been reduced to two and a half hours. At the same time there had been pressure to increase lecturer's hours and either to increase the number of students in every class or at least to ensure a minimum. This has increased lecturer's work loads because they were teaching many more students than previously. A Head of School confirmed that *“course hours have been reduced so that the number of courses and students a lecturer teaches has increased, while the number of assignments has not been reduced, and this has greatly increased lecturers workloads.”* However, the Head of School did not feel that this had lowered the quality of teaching, *“in fact achievements have risen”*. Students were required to have the required qualifications to start courses on which they enrolled, which had not always been the case in the past, lecturers were working harder than ever and some of the poorest lecturers had been part of the redundancy programme.

An Assistant Principal said that Heads of School were curriculum leaders with responsibility for their courses but all decisions had to go through the Assistant Principals: *“I have to know everything that goes on.”* The Assistant Principals appointed staff for 'genuine vacancies' agreed by the Director of Finance, often on temporary contracts used as a form of extended probation. She had been a Subject

Team Co-ordinator prior to the merger of the three colleges and she became a Programme Manager at incorporation and two years later an Assistant Principal. The Senior Assistant Principal said that she had been a Head of Department for six months before the merger of the three colleges in 1992. After the merger she became a Head of Faculty and eighteen months later, in 1994, she became Head of the Curriculum for the whole College. Her role had been to rationalise the various course teams and curriculum programmes between the various centres and the strategy was to reduce these centres from 11 to 3.

She had had roles added to her job year by year, so she was responsible for the quality of the curriculum offering, including appraisal, self-assessment, retention, achievements, computing across the College, so that MIS and computer aided learning were linked. She did not know the technical side of computing, but she had a management overview over her roles. Since last year Personnel had been added to her responsibilities because the head of human Resources had resigned and the College had been unable to recruit a suitable replacement. She had junior managers who report to her to deal with day to day matters, so that for example in personnel she had a Personnel Manager who dealt with redundancies and other matters. Since she had taken over Human Resources she had introduced an agreed personnel database linked to the payroll which had not existed before. She used consultants to make sure that she was not given bad advice and that her staff did not make mistakes. She said that she monitored recruitment, retention and result (3Rs) targets and performance indicators for curriculum units. The Director of Finance decided on targets and on budget allocations, while she controlled the formation of new courses and the closure of courses. Although views were fed to

her from the Schools through the Assistant Principals, she confirmed that she made the decisions. She said that she controlled the College portfolio of offerings linked to finance and the decisions of the Director of Finance.

The Principal described a number of problems when he joined the College at the time of the merger of the three colleges just before incorporation. The previous Principals of the three colleges, that were the subject of the merger, had not made preparations for incorporation. The Inner London Education Authority had not applied the Local Management of Colleges to the three colleges because they did not feel that they could cope with it and the centralised ILEA services had continued up to incorporation. Prior to incorporation Coopers and Lybrand had not endorsed the operation of the College as capable of handling public money.

At incorporation the three past Principals of the merged colleges were unhappy with losing their jobs and the local Borough was very disorganised. At the same time many teaching staff were up to four hours under their timetable hours. In the first year 90 staff were made redundant and there were five strikes in protest. The Principal explained how he had asked the NATFHE Branch Secretary what he wanted to happen in order to stop the strikes. The Branch Secretary did not know what he meant. The Principal recalled that he had said *"if I give you a blank sheet of paper to write whatever you want and then I will sign it, what will you put on it?"* The Branch Secretary said *"I don't know."*

The NATFHE Branch Secretary thought that the move from LEA control to incorporation meant that *"LEA accountability was lost"*. He explained that the

LEA was accountable to the local people and if someone made a complaint to the LEA there was some chance that it would be heard. He thought that *"incorporation has meant that there is a lack of accountability."* At the same time he had understood that the change to the FEFC would lead to *"proper funding"*, because before incorporation the local Council had been rate-capped and it had introduced budget cuts which effected the colleges. He thought that the FEFC would change all that so that the College would be well funded and would not be subject to cuts in its budget, but in fact the need for ALF convergence meant that there had been budget cuts year after year. He had been involved in negotiations about redundancy every year apart from the present one.

8.4 Funding and finance

It was agreed by all those interviewed that the College budget was at the centre of the changes that had occurred in the College since incorporation. The main reason for change was the need to reduce the costs of the new College after incorporation. This had meant that there had been redundancies every year from 1994 to 1998 to reduce the number of staff year by year in order to achieve a reduction of the College ALF. There had been two hundred staff redundancies in the five year period and the year 1998/99 was the first year that College expenditure had been in balance with College income. In previous years, the Principal confirmed that the College expenditure had been greater than the College income, for example by 12% in the year 1995/96. The difference had been made up by the capital receipts the college received from reducing the number of sites it owned from eleven to three. In the Principal's words: *"these sales provided a cushion."* The Principal said that the FEFC would not supply any capital to the College because of its high ALF,

although in the two years before the interviews the College budget had moved into balance and the College had been allowed some growth.

The College had been well financed under the systems established by the Inner London Education Authority and then by its Borough Council. The change to a national system of funding meant that the savings required of the College were greater than it could absorb without introducing a redundancy policy. Although some of this redundancy was by natural wastage and an early retirement policy, there also had to be compulsory redundancy. This was combined with reductions in the costs of running courses and a slimming of the management structure. This need to conform to FEFC requirements was highlighted by the situation that in 1996 89% of the College income was received from FEFC grants. This was a high proportion of total income compared to most colleges where FEFC funding represented approximately 70% of income. The overall deficit in that year of expenditure over income was £2.75 million.

8.5 The role of the governing body

The Governing Body of the College consisted of 16 members including 11 independent members, a member nominated by the local Training and Enterprise Council, one co-opted member, a staff governor, the Principal and one governor nominated by the College's Academic Board. The Principal confirmed that since incorporation the primary concern of the Governing Body had been with financial matters. He felt that the role of the Governing Body was to monitor the progress of the College and to advise. The Governing Body along with the local TEC gave final

approval to the College Strategic Plan and the Governing Body was consulted at various points in the planning cycle.

The Chair of Governors wrote in the College Highlights and Achievements (1997/98): *“of course the numbers have to be right, the books need to balance; Governors work hard to see that this happens, believe me. But we do that so we can put in place the course and facilities that can make a difference to all the individuals who look to the College to help them step up to a better future.”* In the questionnaire the role of the Governing Body was felt to be mainly about monitoring the implementation of policy and appraising management performance. Defining College policy, providing advice and support and accountability to the FEFC were felt to be less important.

The NATFHE Branch Secretary felt that the move from the Local Education Authority meant that LEA accountability had been lost and there had been a major shift from local democracy. He felt that the Governing Body was unrepresentative. At the time of incorporation in 1993 there had been a teaching staff representative and a support staff representative on the Governing Body. He had been the teaching staff representative elected by all the College staff. He had terrible problems on the Governing Body over the right to speak. He was excluded from the main committees such as the Finance and General Purposes Committee. At various points in the Governing Body agenda, the staff representatives were asked to leave the meeting. Also while other governors were elected for four years, the staff representatives were elected for one year. At the end of the year it was decided not to extend the staff representative terms of office and to reduce the representation to

one member for all staff, teaching and support. At the same time a representative was elected from the College Academic Board, where there was a majority of College managers. The one staff representative still had the problems on the Governing Body that he had experienced.

8.6 Consultation and communication

A Head of School confirmed that while teaching staff had greatly increased workloads this had not lowered the quality of teaching, *"in fact achievements (in terms of assessment results) have risen."* He thought that although some courses had seen a reduction in hours from 27 to 16 achievements had improved because lecturers were working harder than ever. At the same time they were being paid relatively less than in the past and were now worse off than schoolteachers. A Lecturer thought that there had been a drive on quality because achievement had been low and many students worked for a College certificate rather than a recognised qualification. This had been changed so that for example, the GCE 'A' level pass rate was 22% in 1992-93 and was now over 70%, which was close to the average figure for further education. The Lecturer said that *"questions of quality such as retention and achievement were important in the early 1990s, as important as they are now, but with very much less stress."*

A Lecturer said that although he recognised the need for changes as a result of the requirements of convergence but felt that *"redundancies have caused considerable anxiety."* This view was confirmed by an Assistant Principal who thought that the last round of redundancies had removed staff who would be missed which made it *"difficult to retain staff who were made to feel unsettled."* A Head of School who

had been on the staff of one of the colleges that had been merged, felt that the enlarged College was *"less personal"* and in his previous, smaller, college there had been a matrix management structure which made for more meetings but there seemed to be more time for discussion and consultation.

The NATFHE Branch Secretary said that the Academic Board remained the only elected structure in the College and the only opportunity for lecturers to express their views. He agreed that there were Boards of Study in every Curriculum School where targets and course closures are discussed, but curriculum areas had been closed or cut without staff having a clear idea why. Key decisions in the College were taken by the Senior Management Team and there was very little consultation. He felt that what happened was that the union and staff in general were informed of decisions and then asked to comment. A Lecturer said that staff development was offered through a list of courses for which he could apply, which were mainly on teaching and learning. This Lecturer felt that prior to incorporation there was a regard for what lecturers did and there was flexibility between managers and lecturers, whereas after incorporation lecturers were treated as human resources and there had been a lack of communication *"which has an effect on morale."* The redundancies had caused *"considerable anxiety"*, although his particular Head of School was excellent. There were also now Course Managers who were yet another layer of communication, although all these people including the Assistant Principal could be approached directly. While he had good managers, other lecturers in other Schools were less fortunate. In general, since incorporation he felt that there was much less a feeling of everybody working together.

The Lecturer said the work of Lecturers had greatly increased, teaching more students with more assessment and marking, while administration had also greatly increased, and there was a *"considerable feeling of accountability as pressure was put on Lecturers as a result of the need for convergence in the FEFC funding process."* There were forms for retention, assessment, self-evaluation and so on, with three running files which have to be kept up-to-date, there was a red file, which was a course document, a blue file for assessment and a green file for student details. In theory, if he was away someone else could pick up the appropriate file and give the lesson and set the assessment. He felt that all this paperwork could benefit students if they were used effectively, but that was a problem.

An Assistant Principal pointed out that the number of administrators had fallen since incorporation and paperwork had been pushed down to Lecturers. This had all changed with incorporation and all the interviewees agreed that the whole way the College was managed had changed. The teaching staff interviewed felt that the redundancy programme had created low staff morale and the rationalisation of course across the College centres had added to this. The NATFHE Branch Secretary felt that overall *"the College should respect lecturers but now it is all about units, targets and funding."* He thought that the culture had changed since the 1980s so that *"there has been a marketisation of further education."*

8.7 Competition

The College answer to the question on the importance of competition as a cause of change in the College in the National Survey was that it was only fairly important.

It was less important than incorporation, funding and the merger as a cause of change in the College. The Principal confirmed this view in the interview. Even though the College was in an area of strong competition and the College was surrounded by competing colleges all within travelling distance of the College centres, he still felt that competition was not an important factor in change. He said all the colleges have their particular strengths and in fact they do compete very strongly. For example, the best GCE 'A' level students travelled to the other colleges. He felt that the competition to the College was from other FE colleges but not from local schools because the College had previously been the tertiary college for the area so that none of the local schools had sixth forms. The Principal said that *"they are not in a state to develop one, they would need a hundred and fifty or a hundred and eighty sixth formers and there is no chance of that."* He described himself as *"a tertiary person"* in that he believed that all the sixth form studies in a local area should be consolidated in one place, in this case the College.

The College had not attempted to compete with some of the specialisms of the other colleges, for example the vocational area of catering. Its own specialisms either had limited appeal, such as dental mechanics courses, or had particular difficulties. For example, construction required expensive equipment and tied up specialist and inflexible accommodation. It was also difficult to retain students and staff on construction courses because of good opportunities for jobs in the industry in London.

The College has followed a policy of co-operation with competitors in many areas. The local TEC had collapsed and the TEC that had taken over its role was thought

by the Principal not to be very interested in the College area, so its influence was not very significant. Competition had not figured highly in the working of the College, the Principal said, because it had been heavily involved in internal reorganisation, and it had not been allowed to grow because its ALF was well above the national target. At the same time there was too much competition in higher education to consider moving into that area. The FEFC Inspection Report (1996) outlined the *“strong and effective links with more than twenty community groups and external organisations”* that the College had developed, along with agreement with five higher education establishments which guaranteed an interview for students for their chosen higher education programme. The College had also improved working relationships with the local authority secondary schools including some joint activities such as a conference on progression from school to college.

8.8 Marketing

The Principal and the Senior Assistant Principal confirmed that the College relied on *“word-of-mouth”* in order to attract students. Their view was that because students came mainly from the local area, the quality of provision would determine their decisions, so that if this quality was improved more students would come. The College did not employ a marketing specialist and carried out very little market research. Saturday courses had been started on a *“finger-in-the air”* basis according to the Principal and the Head of School. It was decided to try them and see what happened. The Principal thought that marketing was not much different from under the LEA. The Assistant Principal, Director of Community and Student Services was responsible for ‘marketing’ in terms of student services and customer care. She was

responsible for the Head of Admissions, the Head of Student Welfare, the Head of Community Development and the Head of Learning Resources. The basic approach had been to expand areas of success and drop areas of weaknesses, plus internal restructuring in the College in order to help it to develop.

The Assistant Principal, Director of Community and Student Services said that she was responsible for marketing because no-one else was. She had joined one of the colleges that was merged as the Librarian and then became Head of Learning Resources. On incorporation she had to apply for the post of Head of Learning Resources in the new College. This post had included the library, media services, and study centres for literacy and numeracy. Since then her job had been expanded to include Student Welfare covering counselling, child care, the student union, a full-time youth worker; community development covering one-person equal opportunities co-ordination, involvement with youth clubs and so on; and aspects of admissions such as the New Deal, Work Based Learning, liaison with the Employment Services. Her marketing role consisted of publicity, producing the prospectuses and evening class listings, advertising, press releases and schools liaison.

Another Assistant Principal said that Heads of School passed on ideas for new or enlarged courses to the Assistant Principals and they do some 'false advertising' to see what might be the demand for courses which the College did not run at that moment, and for example *"there had been a mega-boom in IT"* where this approach had been used. The Assistant Principal responsible for marketing said that new courses developed from admissions requests, so that for example information

technology had taken off recently at the College and in London in general so extra courses had been put on at the College. Publicity for courses was through newspaper adverts, prospectuses mailed directly to homes and liaison with schools. The non-salary budget for these activities was £200,000 a year. A Head of School said that there was no marketing budget, although he did have a budget for a mobile information technology unit which was an old London bus painted yellow. It was driven around the local housing estates and provided basic computer courses. He put forward requests for advertisements and made suggestions for the prospectus. Most of his students came as a result of word of mouth, and were from the local area.

The Senior Assistant Principal said that there was too little market research. She decided whether courses were viable early in the academic year and closed them if necessary. Target student (and unit) numbers were decided by senior staff, in particular the Director of Finance and the Senior Assistant Principal. The Principal was also involved to some extent and the Assistant Principals. Course Teams were not very involved in this and the influence of competition or the job market were not felt to be very important. The FEFC Inspection Report (1997) said that progress had been made in raising the College profile. It stated that the College produced *“attractive publicity material”* and that *“leaflets, press and radio advertising, launches of new course, and award ceremonies are widely used as a means of promoting the college and the achievements of its students.”* It also stated that *“the college is working towards a systematic analysis of market trends to inform curriculum development plans.”*

In answer to a question on the National Survey (question 37) completed in 1997, the College confirmed that its marketing budget had decreased by 20% in the previous two years. The Assistant Principal, Director of Community and Student Services who had responsibility for marketing thought that the problem with the College was its image. Another Assistant Principal confirmed this view and felt that it partly arose because of its past links to the Borough, which had a chaotic reputation. *"It might have been a mistake," she said, "to call the College... (the same name as the Borough)...still we are working on it."* This was particularly a problem because *"FE is still hitting a local market"*. So the main College marketing strategy had to be to improve its image. There had been an emphasis on *"retention and achievement in recent years,"* she said, *"because this is the way the College is funded, the three Rs, recruitment, retention and results."* A major problem is that students start courses and then leave so there was a *"Star Chamber"* with the Principal looking at retention and results.

The FEFC Inspection Report also stated that the College *"has recently improved its management information system which now produces extensive, accurate, and timely information on students, performance indicators and their achievement against targets"* and that *"most data required to inform management decision making are available from the system."* *"A new system of electronic attendance monitoring has been installed but, as yet, this has failed to provide adequate reports."* In answer to the National Survey the College had said that a computerised management information system was not very important in its strategic management and that it had had great difficulty in establishing an effective management information system because of a lack of effective systems,

changes in funding mechanisms and “*FEFC bone-headedness*”. The interviews confirmed that the management information system in the College had had mixed success. The Principal thought that it provided good overall management information, particularly on finance, while a Head of School found that it failed to produce adequate information on students.

8.9 Strategic planning

The College Strategic Plan was produced by the three senior managers which were the Principal, the Director of Finance and the Senior Assistant Principal. The answer to questions about the formation of strategy in the National Survey confirmed that the Chair of Governors was not involved in the detail. Lecturers and Heads of School felt that although they could feed ideas upwards, they were not actually asked for their views. The centralisation of decision making on the Strategic Plan was reflected in the centralised approach to strategy in the College. The Principal and the Senior assistant Principal felt that this approach was necessary because of the need to manage the results of the merger between the three colleges to form the present College and because of the need to manage the convergence of the Average Level of Funding. The relocation of courses had been completed by the time of the interviews and the ALF had reached the target level, however the Heads of School and the lecturers interviewed did not detect any change in the centralisation of the formation of strategy. The Director of Finance still decided all target student and unit numbers, as well as retention and achievement targets and he was also responsible for the allocation of finance and resources.

The Heads of School were allocated a budget for consumables and staff development by the Assistant Principals. The Senior Assistant Principal considered that the schools were cost centres in the sense that they were provided with funds in order to provide courses and programmes. The 1996 FEFC Inspection Report stated that these funds were calculated using a formula based on enrolments, which was well understood by the heads of school. The Principal said that in producing the Strategic Plan the heads of school were consulted and also that the Plan was discussed with the Governing Body Planning Committee and the Finance and General Purposes Committee. An assistant Principal interviewed said that the previous years Strategic Plan was presented to the staff, including the assistant principals without consultation. In the present year all the Schools had been consulted under six headings concerned with improving the life of students and there was a Heads of school and heads of Services meeting every half-term at which matters of common interest were discussed. Another Assistant Principal thought that *"Assistant principals have enormous responsibility,"* but target units and full-time equivalent student numbers were decided centrally and then delegated to them. A Head of School said that he was provided with targets for his School in terms of the three Rs of recruitment, retention and results, while the portfolio of courses in the school were monitored so that if he suggested a new course he would be asked to remove an old one.

The Heads of School interviewed did not agree with the view that they controlled cost centres, because they felt that the Assistant Principal had to know everything that went on in the schools for which they were responsible. All curriculum decisions had to be argued with the assistant Principals and they had to agree these

decision with the Senior Assistant Principal. A Head of school remembered the control of the Inner London Education authority and felt that everything was now more government driven through the FEFC. The Assistant Principals felt that the Senior Assistant Principal and the Director of Finance had to know exactly what they were doing in terms of both the curriculum and the use of all resources. A head of school stated that there was very limited consultation on management or strategy. There had been a consultation meeting that year on the Strategic Plan, but he felt that it had all been decided by then.

8.10 The future development of the College

The Principal did not have a clear idea about the way forward for the College. In the National Survey the College answers about the future stated that it was expected to be larger in five years time and that it could be merged with Community Education (the Adult Education Service) but not with another FE college. A Head of School had no ideas about the future when he was asked. The NATFHE Branch Secretary thought the future was largely about the merger or take-over of Community Education from the local Borough. He felt that this was a positive development, although *“as usual there is a lack of consultation.”* He thought that the College was in a good position to benefit from developments such as lifelong learning. He thought that the future could be a more settled period because local staff contracts had been agreed with the management and redundancies had come to an end.

The Senior Assistant Principal looked forward to the take over of Community Education from the Borough. It would involve three extra centres which the college

had agreed to keep open for three years. After that she would close them and bring the provision into the main centres while leaving some outreach provision in rented accommodation. She did not have any positive views about the College future apart from this, although she thought *"it could merge with another College"* given the level of competition in the region. The Principal said that he had tried to maintain close links with the local authority because they controlled the local schools, as well as housing and local services which all had importance for College students because nearly all of them were local. This reflected the future of the College which he saw as a community college, and he felt that the concentration should be on improving the quality of its work so that the reputation of the College improved and more students would be attracted

An Assistant Principal looked at the future in terms of changes in the way the College operated. She thought that the future of the College included a merging of teaching and non-teaching staff; there would be less emphasis on education and teaching and more on learning, on how people learn and access to new technology; there would be more attention to key skills; an emphasis on people's entitlement and empowerment and on further education and the community. A Lecturer thought that equal opportunities were now taken seriously and that policies were being translated into action in terms of student interviews, teaching resources and the delivery of curriculum programmes. A Head of School said that the challenge of the future was to meet the skill needs of the area. He thought that the government had given further education a higher profile than before and it seemed to be more aware of FE than had previously been the case. The future in fact depended on government policy such as that outline in the White Paper "Learning to Succeed"

(1999). He said *“that staff grumble about things, but they tend to only remember what they want to.”*

8.11 Key issues arising from this Case Study

Apart from the already agreed taking over of Community Education there was little agreement about the future of the College and there was not a shared vision of a strategic pathway. The Principal and senior management team did not have a clear idea about the way forward for the College. Merger with another College seemed to be a vague possibility, otherwise the concentration was on improving the quality of the College work, although there were only limited positive steps to do this. There was little evidence of a strategic direction for the College, or of positioning it in its markets or of using resources in new and innovative ways.

Since incorporation the College had followed what could be described as an ‘imposed’ strategy with a direction established by the need to achieve convergence in terms of the FEFC average level of funding and to meet the FEFC efficiency targets. The College had been able to achieve convergence through a cost-driven strategy which had been assisted by the financial cushion the College had inherited through generous funding in the past and the ownership of a large number of buildings which it was able to sell. This enabled it to consolidate onto three main sites at the same time as it was drastically cutting costs. This very clearly focused strategy which was followed for six years after incorporation could be said to have led the College into a ‘cul-de-sac’ where other possible strategies and approaches to strategic change were not developed.

There were differences of view amongst College staff on the levels of consultation, with senior managers saying that consultation was an important part of the formation of the Strategic Plan while more junior managers felt that the plan was established by the Senior Management Team and then delegated down the organisation. Consultation was felt to be very limited by Lecturers and there was a view that all major decisions were taken by the senior management. Some of those interviewed regretted leaving the local education authority because at that time resources were relatively plentiful, efficiency targets were not required and strategy was determined by the LEA. The Union Representative felt that the move away from the local authority had removed accountability to the local people. The Governing Body was not representative of the local people or of the staff of the College and he felt powerless in the face of a Governing Body dominated by business interests, and the policies of the Senior Management Team and the FEFC. All those interviewed apart from the senior managers confirmed the low morale amongst College staff as a result of the cost-driven strategy. Consultation and communication were limited with a clear difference of view between the most senior members of College management and other members of staff. There was little attempt to improve this through staff development, personnel or marketing policies. Staff development was still about courses to update subject knowledge as it had been before incorporation, it was not about how to manage post-incorporation pressures.

Although personnel was one of the responsibilities of a senior manager it was carried out by an administrator. The main focus of the personnel functions was concerned with the redundancy programme. Similarly marketing was given a low

profile in the College. It was a function added to other roles carried out by an Assistant Principal, who was a middle manager and who had no previous experience or qualifications in this area. There was confusion over the marketing budget which had in fact declined, there was little market research and new offers were started on a 'finger-in-the-air' approach. There was also little supporting information about the College or its markets from the MIS or through consultation with Course teams or Heads of School. Apart from the views expressed by the senior managers, the opinion was that College management was highly centralised with all decisions taken by the three senior managers. The Assistant Principals reported to the three senior managers and everybody else reported to them. This very controlled organisational structure could be seen as a reflection of the focused strategy followed by the College after incorporation. This strategy was also reflected in the lack of consultation with Course Teams or Heads of School as the financial policies were driven through. College staff expected to receive instructions and felt that the important matters for them were to meet units and targets for their particular areas of responsibility.

The College had appointed specialists in the finance and personnel functions at the time of incorporation although when the Director of Human Resources had resigned a direct replacement had not been appointed. The Director of Finance was one of the three senior managers in the College while personnel became organised through a specialist administrator reporting to the Senior Assistant Principal. The College had not appointed a senior manager or a specialist in marketing. These arrangements meant that, with the exception of finance, core competence in functional areas of management were concentrated on relatively junior

administrators and controlled by one of the three senior managers. This form of organisation could again be seen as reflecting the focus on achieving the consolidation of the College provision into three centres and on achieving financial targets, a focus which could have driven the College into a cul-de-sac.

The College had achieved the objectives of its post-incorporation strategy. In this sense it had responded to the new environment by matching the organisation to external restraints. The College had understood that change management required a strategy, but the link with organisational culture (Newman 1994) was largely ignored in a focused approach to this strategy. In relation to the conceptual framework, the senior management had embraced the new outer context in which they were working and had instituted drastic changes to meet the requirements of this context, and they had adopted an approach to the content and process of change in order to achieve these changes. The senior managers had followed incorporation by an approach to strategic change that brought about the required balance between its finances and the new environmental requirements. In relation to the inner context, the College had not developed core competence through the organisation that would enable it to cope with future changes in its environment, it had not made positive attempts to improve consultation or communications or the morale of the College closer to the requirements of the new environment and it no longer had the cushion of spare assets to sell to support its finances. In order to cope with the environment of incorporation and changes to this in the future it needed to develop a new approach that was not based on the cost-driven strategy that had existed for the six years after 1993. There was very little evidence that the senior management

had moved in this direction, however their single-minded approach could mean that they would be able to focus on a new strategy in the future.

Chapter 9 Case Study 4: ‘Moving in the right direction’

9.1 Background to College ‘P’

The College was the largest of seven further education colleges in the county in which it was situated in the FEFC South-West Region. Most of the other colleges were located over forty miles away from the College, although a small (sixth form college) was three miles away and an art and design college two miles away. There were sixteen secondary schools with sixth forms within the College main catchment area. The population of this area was over 250,000. The local economy had traditionally relied on defence, tourism, manufacturing, freight and service industries, although as a result of a decline in the defence budget, the economy had declined. The unemployment rate for the travel to work area was 10.2% in March 1996 compared to a regional rate of 7%. The local Training and Enterprise Council had identified care, leisure and tourism as major areas of growth for employment.

College P was a large further education college both in terms of student enrolments and in the size of its budget, with full-time equivalent student numbers 4,165 in 1996-97 and a total of over 19,000 enrolments and a budget of over £18 million in 1996-97. By 1998 the College budget was over £20 million. It employed 513 full-time equivalent staff, 324 of whom were teachers. The Chair of Governors noted that the College employed 900 people in total and was the second largest employer in the area. The College had an Average Level of Funding (ALF) in 1998 of just over £17, just below the national average of £18.50 and in fact the lowest in its region.

Interviews were carried out over a period of three days with nine members of College staff and two members of the Governing Body. A range of other information was also available including the FEFC Inspection Report for 1996, the College Charter 1997-98, the College Strategic Plan for 1997-2002, the Report and Financial Statements for 1997-98 and a variety of publicity material.

9.2 Causes of change

The main cause of change given by the College in answer to the National Survey was competition, closely followed by the funding mechanism, curriculum development and new technology. The Principal explained these answers to the Survey by emphasising the level of competition from the schools. Incorporation and the FEFC funding mechanism were not as important because *"the strategy of the College has been based on the things we thought we ought to do, if there are things we ought to do we will do them and fund them in one way or another."* He added that *"we would not do activities just because they are funded" ... "funding is a tool that enables us to do what we want to do, it is not the deciding factor in what we do."* The FEFC was not felt by the Principal to be an important stakeholder in the College, it funded particular activities in return for the College achieving particular targets, so the relationship was a contractual one.

Other people in the College put a different emphasis on the causes of change. They did think that it was the funding mechanism and the pressure on units of funding and targets which were very important. An Assistant Principal thought that change had been *"driven by financial numbers"* and another Assistant Principal thought *"that without funding we are not going to do anything."* The Director of Finance

also thought that FEFC financial targets were an essential element in changes in the College and a Lecturer agreed with this view. Incorporation itself was seen as less important because the College had enjoyed great deal of delegated authority under the Local Management of Colleges, in fact more than the other Colleges in the Case Studies.

9.3 Organisational change

The Senior Management Team at the time of the interviews (1999) consisted of :

The Senior Management Team of College P in 1999

Principal and Chief Executive

Vice Principal

Director of Marketing

Director of Finance and Administration

Director of Human Resources

Director of Estates and Legal Affairs

Figure 9.1 The Senior Management Team of College P in 1999

The Vice-Principal was responsible for the curriculum and for quality. There were seven Assistant Principals (who had previously been heads of Department) responsible for the major curriculum areas of Arts and Humanities, Computing and Electrical Engineering, Construction, Hotel, Leisure and Beauty, Mechanical Engineering, Science and Health, Business and Management. The line management

of the Assistant Principals was split between the Vice-Principal and the Director of Human Resources. There was also a head of the Open Access Centre who reported directly to the Director of Finance. Each curriculum area was divided into sections, with Programme Team Leaders responsible for the day-to-day management of courses and the care of students.

The NATFHE Branch Secretary said that the main organisational changes in the College had taken place ten years earlier, that is with the Local Management of Colleges, while he thought that incorporation *“was government policy, and funding was pivotal.”* However a Lecturer felt that although there had been changes in the College over the years, there had not been obvious changes immediately after LMC or incorporation. Subsequently changes had taken place, such as the increase in the number of administrators. The ratio between non-teaching staff and teaching staff was now 50/50 instead of 80/20, but this *“had not reduced the administration for lecturers, we now do more than before.”* *“The finance department asks for information that they would not have asked for before,”* he added, *“needlessly in many cases.”*

The Principal had been appointed ten years earlier at the time of LMC, and the College had been provided a high degree of devolution under the terms of the 1988 Education Reform Act. The Principal said that this meant that the developments linked to incorporation had already been started from 1989. Although the move from the local authority had not been felt to be a particular advantage, incorporation was still felt to be an advantage compared to local authority control in terms of financial control, personnel management, building maintenance,

marketing and student services. The NATFHE Branch Secretary felt that there had been a number of important changes as a result of incorporation and FEFC funding with an expansion of the personnel function and of estates, the increase in the size of the Principalship which had increased and its role had grown, and new contracts had been introduced for lecturers.

The NATFHE Branch Secretary also felt that lines of communication had changed as a result of incorporation. The staff representative on the College Governing Body was no longer there to represent the staff but as a member of the College Corporation. The lines of communication to management had been via the Principal prior to incorporation, but since 1993 this had been through the director for Human Resources who chaired the College Liaison Committee. He did meet the Principal with the Branch Secretary of UNISON before each Governing Body meeting, which was very useful as a means of discussing overall College policy.

In answer to the Questionnaire it was felt that the College had coped fairly well with incorporation in general, in terms of finance, personnel and marketing and extremely well on building maintenance. The Director (or Vice-Principal) for Human Resources felt that the College had coped very well with incorporation. The County had been far sighted, he felt, in providing the College with LMC which gave it considerable freedom between 1988 to 1993 in the lead up to incorporation. This enabled it to develop income generating activities early and to set up a budget system which provided delegation to the nine curriculum departments.

9.4 Funding and finance

Between 60% and 70% of the college income was through FEFC funding with the rest coming from a range of sources including contracts with the local TEC, local employers, through franchising higher education programmes, overseas courses and short training courses. The Director of Finance and Administration had been appointed in 1992 after working for some years in the private sector. He was a qualified chartered accountant. He said that the College had made difficult decisions at an early stage which had helped it to cope, while those colleges which had left decisions until they had to make them had experienced more difficulty. The College already delegated parts of its budget to the departments when he joined. It did not have large reserves, but the buildings were in good condition and the College had been able to claim very little at incorporation from the 'Hunter Fund' for repairs and development funded by the FEFC. The College had bought a major centre from the Ministry of Defence for £5.5 million, with half the money coming from grants and the rest from loans. The College was tight on capital funds but because of high levels of unemployment in the area it had been successful in obtaining grant support and European Union funding.

In general the Director of Finance considered that finances were tight because of buying the new centre, the establishment of a Small and Medium Employer Communication Centre, generally higher pay rates than other colleges in the region and more favourable class contact hours. At the same time some Departments had found it difficult to increase their enrolments and although the FEFC growth targets has been passed down to the Departments they had had to struggle to meet them. The Director said that "*the whole is less than the sum*" when it came to aggregating

departmental plans. In the past the budget had increased year by year because although the enrolments had been similar, the number of units that had been generated by these enrolments had increased as the FEFC funding mechanism gave credit for retention and performance and for student services.

The Director of Human Resources said that the budget system provided delegation for the curriculum/departmental areas, so that if they earned money they kept most of it. Departments were encouraged to find non-FEFC activity and of this income 20% was held centrally to help pay for pay increases and improved facilities, the rest was kept by the departments. The departments could employ part-time staff but not full-timers who were considered part of the fixed expenditure of the College and needed both justification and vetting. Requests for full-time posts from departments had to be agreed with him and had to pass through a manpower planning process and through financial vetting. He was responsible for negotiations with the unions with support from a trained Personnel Manager. *"The Principal remains clear of this process,"* he said *"so that there is someone other than governors for an appeal."*

He confirmed that a new contract had been agreed with lecturing staff, which had a safeguard on teaching hours of 21 hours a week, some loss of holiday entitlement to provide five extra training days and an extra administrative/curriculum development week. Averaging had become general, so that teaching hours were averaged over a year, which meant that those weeks when a lecturers teaching hours were lighter than the norm were balanced by weeks when the hours were heavier. Six staff remained on the 'Silver Book' conditions of service which had

existed before incorporation. Pay banding had been introduced with 'Practical Skills' Lecturers (PSLs) on Scale Points 1-4, with the usual entry level at points 5-8 and points 9-14 as a promoted level. PSLs had a 37 hour week and could have up to 31 hours supervision or practical skills teaching (such as key boarding, bricklaying), they had practical qualifications and experience rather than degrees and they had to complete a teaching certificate (City and Guilds 730) and complete NVQ assessments.

The Director of Human Resources said that senior staff were on 'performance related pay' (PRP) where this was appropriate, linked to the performance of the College. The College had met its targets in the previous three years and he confirmed that he had received eight-tenths of his PRP. He said that there had been moves to expand this system but the main unions were opposed to this expansion. The lecturers received the cost of living increases (the Association of Colleges recommendation) plus an extra half of one percent if it became clear by the following April that the College had met its targets. He confirmed that Senior Lecturer posts had been absorbed into the Management Spine and that Lecturers moved onto this scale when they became Section Heads or in larger sections, Assistant Section Heads. He also confirmed that people tended to stay at the College and the staff turnover was low at about 3% a year for lecturing staff and 9% for support staff. For many of them *"this is what further education is, because this is the only place in which they have worked,"* he said. He thought that teaching staff were supported by a wonderful computer network with a computer for every three members of staff and one computer on the Internet in every staff room.

9.5 The role of the governing body

A College Governor felt that the *“role of the Governing Body is non-executive, it is questioning.”* There were only three meetings a year, so that monitoring management performance was through regular financial monitoring statements and direct links with key members of staff such as the Principal, the Vice-Principal and the Director of Marketing. *“The Principal knows what he wants to do,”* he said *“and he wants the Governing Body to endorse the actions he recommends.”* *“The College is responsive to changing demand in the local area,”* he said *“and spots opportunities. It foreshadowed the call for widening participation, and the needs of the disadvantaged communities. But it needs to be hard-nosed.”* He thought that *“the main form of monitoring is confidence in the Principal and the Finance Director.”*

The Chair of Governors said in the past the governors of the College had been small business people who did not appreciate the problems of running a large organisation. He had worked for British Aerospace before he retired, and his boss *“thought it might help my career if I did voluntary work”* so he became a member of the Advisory Committee for the Electrical Engineering Department of the College. He then moved onto the Board of Governors and three years later, in 1991, he became the Chair. He felt that it was important that the College had a proper structure and had professionals in the right spots, such as finance and marketing. What was needed, he said was *“strong people, under the principal.”* Governors needed to be selected to have a good spread of abilities and to support Governing Body committees with their expertise. This was still the case so that when a vacancy occurred a new governor was sought with the correct qualifications and

experience, while where there were gaps in this expertise, non-governors fill these gaps.

The people with expertise on the Governing Body could help to monitor the work of the College *“to make sure they are on the right track. There is a lot of delegation to the committees on which governors with expertise sit or chair.”* The Chair of Governors pointed out that the members of the Governing Body included one from an education union, an architect, a managing director, a person from business management, a finance expert, a staff member, a person from a regional trust and the principal. There were eleven members in all. *“The purpose of being a governor,”* he said *“is to be of service to the college, not to oneself.”* New governors, including the staff member, were encouraged to consider what was right for the college rather than considering individual views and representing personal points of view, so that although the staff member was elected by the staff he or she was not there to particularly further the interests of the staff.

The Chair of Governors felt that the role of the Board was to monitor the College and form its strategy. *“The trouble with having a strong Principal,”* he said, *“is that they rush off in different directions. I have curbed his wilder ideas. Decisions used to be made by whim and I have brought some order to that.”* He felt that the new structure for governing bodies proposed as a result of “Learning to Succeed” and the formation of the Learning and Skills Council to replace the FEFC would defuse the cohesion of the governing body and possibly its effectiveness because the number of business members would have to be reduced and more local representatives included. He thought that they would move slowly on this to make

sure that the expertise remains. He said that the Academic Board was an executive body which decided overall policy on a range of academic matters, such as the development of key skills across the College. It included all the Assistant Principals, Head of Library and a representative from each Department.

9.6 Consultation and communication

The Principal said that the devolution of the budget to the departments was the main strategy to bring about changes in the way the College worked because this process helped to prevent empire building. *"If they use their budgets to hold onto extra resources which they are not fully using,"* he explained, *"but it is up to them"* but the department would have to economise somewhere else in order to meet their unit targets. If the department did not reach its targets it would not receive the same or higher levels of funding.

An Assistant Principal thought that there had been some consultation in the College on major management changes. In 1994 there had been a discussion with individuals and some negotiation about the size and shape of departments. *"I made a strong bid for health and Care programmes,"* he said *"because they are an expanding."* In 1998 the Principal had spoken to a meeting of Heads of Department on the importance of them having an across-College responsibility and a new title to go with this. *"Since incorporation there have been enormous changes in culture and practices within the College,"* the Assistant Principal said, *"cultural change has been driven by financial numbers."* He said that an example was that there was an internal market for accommodation by which Departments were 'charged' for the accommodation they used so if they used more than they needed this became

expensive for them. There was pressure to drive this approach down to sections and programmes. He felt that individual members of staff knew about this process and had some awareness of it, but did not have the details even though there was originally a staff development programme in order to raise awareness.

The NATFHE Branch Secretary confirmed that the changes made since the Local Management of Colleges had been combined with briefings from the Principal. The NATFHR Branch saw all the FEFC circulars that were relevant which were passed on by the Principal. Information also came through NATFHE headquarters. *"We welcome any information that is provided,"* he said, although the lines of communication had changed since incorporation. Previously there had been direct discussion with the Principal but since incorporation discussions had been with the Director of Human Resources and the Personnel Manager, with the Director of Human Resources chairing the College Liaison Committee. The College had introduced a policy of 'total continuous improvement' the NATFHE Branch Secretary said, and also Investors in People had been introduced, which he thought was probably a good idea. There had been a discussion on how much responsibility staff wished to take in terms of budgetary control and as a result there had been a move towards *"course teams managing their budgets and other resources allocated to the course team within income and budget targets,"* he said, although he felt that the staff did not want to be involved in too many administrative and accounting procedures and there was a question as to how far they could be responsible for budgets and targets.

The Branch Secretary said that staff development had become linked to the operational plan of the College and as a result of the rising costs of staff development courses much more was now carried out in-house. He felt that appraisal did not necessarily lead to positive outcomes for the individual although there had been some link to INSET (In-Service Education and Training). There had been an increase in class observation, which now included 'peer observation', which was confidential between two colleagues, 'management observation', which was like an inspection, 'self-assessment' and 'local LEA-type observation' for particular staff who were identified to have problems. He felt that self-assessment in particular was a massive agent for change.

In his interview the Director of Marketing stated that the culture of the College had been altered by a range of means including by publicising student and staff success. Press releases, prize-givings, winning national awards and discussion on the issues facing the College. This was all in an attempt to produce pride in the College with one approach being an attempt to win one national award each year. The Director of Human Resources thought the culture of the College had changed in recent years. *"The Principal sees trends before they happen,"* he said. He thought that some staff, such as 'A' level teachers, had had to change as a result of anxiety about their jobs, while the introduction of policies such as IIP, quality and assessment policies and staff appraisal had all helped to change the culture. He had pushed IIP through the College with accreditation achieved in January 1998. *"It is more than window dressing,"* he said *"because when we approach firms and say they should train their staff at the College they want to know what we are doing for our own staff."* He thought that IIP had also helped because College staff could not

say *"why aren't you investing in us?"* He pointed out that the College success was illustrated by winning a Beacon Award or other award each year, the improvement of 'A' level results and the fact that the College was now second in the non-selected results league table.

The Director of Finance and Administration said that cultural change had been brought about by encouragement, guidance and enabling. The delegation of decisions to departments, with the internal market for rooms, the monitoring of enrolment, retention assessment and examination results against targets had helped to alter the organisational culture. At the same time monitoring and guidance was provided so that if a department was moving towards a possible deficit the Assistant Principal was brought before the Finance Committee of the Governing Body to explain and discuss the problem. He felt that new staff had made a difference to the College culture. *"Some people are innovators and those who aren't take longer to change,"* he said. In order to encourage innovation there was a key innovation fund within the College in order to promote success. For example, in order to reduce the drop-out rate in Mechanical Engineering the students were helped and encouraged to build an operating hovercraft as part of their course.

The Assistant Principal for Open and Flexible Learning thought that *"we have come out of the black hole caused by incorporation and reached the other side, the traditional way of working had disappeared and we now have to be entrepreneurial."* *"Things now happen much more quickly,"* he said *"we know where we are in terms of funding, without funding we are not going to do anything."* He felt that *"incorporation has meant that we have a better grip on*

things,” although consultation on the incorporation and its effects had been limited. He thought that incorporation had caused problems for staff who were used to following a set pattern, but it did not make much difference for those who were used to change.

A Lecturer felt that the reason for change in the College had been as a result of changes in funding, so that although there had not been a reduction in the hours provided to teach GCE ‘A’ levels but years one and two had been merged together and the number of GCSE subjects had been reduced to core subjects. *“I have survived these changes,”* he said *“although I am still on the Silver Book.”* He said, *“I did not feel that I could deliver quality teaching on the new contracts and I have lost 11%-12% pay as a result.”* He felt that *“there is a charade in terms of deciding targets, in fact we are told what they are. Usually it seems to be last year plus 5%.”* He had been a Section Leader, he said, but he had resigned because he could not stand being given a target which he was supposed to achieve without having any real say in deciding on it. There was a target on retention rates, *“but the view of staff is that they feel they have no control over this,”* he said. He thought students left for a variety of reasons such as financial problems, having single parents and so on, over which lecturers had little control. The targets for achievement were based on a view that students should do better than their ALICE (the national ‘A’ level indicator) predictions and then better again.

Another Lecturer who was interviewed had been at the College for eighteen months after a long career in the Royal Navy. He was very cynical about further education and its future, because he had found a clear lack of discipline in further education

and a lack of direction compared with the Royal Navy. He did not feel that marketing the course on which he taught was his responsibility and he did not see what he could do to improve retention and achievement rates amongst his students. He felt that these were matters for the management and, after he had been asked how and where his courses should be advertised, he said *“what is the point of having a marketing department?”*

The Director of Human Resources said that he was responsible for the College Staff Development Managers, who had responsibility for staff development, induction and appraisal across the College. The College budget was around £20 million he said, and the staff development budget was £232,000 which was about 1.2% of total College income and about 1.8% of payroll. Each Assistant Principal had a budget line for staff development and Self-Assessment Curriculum Groups obtained a delegated staff development budget in relation to their action plan. Everybody who moved onto the management spine had to do NVQ units on aspects of managing people to prepare them for a management role.

The Director of Finance, who had previously worked in the private sector, said that *“joining further education was a cultural shock because there was a lack of ‘speed and focus’ and greater resource constraints.”* He felt also that there was an approach which said *“I am a professional in my own capacity and no one should question what I do.”* This was quite unlike his previous experience where people were used to being questioned about their work and discussing what they should do about problems that arose with it. He thought that there was difficulty in reconciling the use of public money with trying to be more business-like.

"Traditionally further education tries to do everything for everyone and that is impossible," he said.

A Lecturer in Engineering said *"what I am teaching on GNVQ is not engineering, the students will not become engineers, it is general education that just happens to be in engineering subjects. The students will eventually have to get jobs and then take BTEC or some other qualification if they want to become engineers."* *"There is no comparison," he said "between part-time students who are already in jobs and full-time ones. Hopeless full-time students become model students once they have a job and come back as part-timers."* He had to deal with problems like young people playing computer games and then wanting to go on IT courses which were always over-subscribed.

He thought that *"the Principalship is not interested in engineering because it is too expensive, a 'black hole' into which money goes. The Principalship does not understand engineering."* He had noticed that the old technical colleges had a technical person, often an engineer, as the Principal, *"now they don't," he said, "which is a pity."* He thought that *"GNVQ staff have a difficulty with retention and achievement and are asked why they cannot retain students, but what can we do about it?"* He thought it was a well managed College as further education colleges go, but he felt that there was a clear lack of discipline and direction compared to his previous job.

9.7 Competition

Competition was not felt to be a major cause of change in the College. The further education colleges in the region were either smaller or located at some distance, so that they did not represent very much competition to the College. The sixteen local secondary schools all had sixth forms and they did provide competition for the College particularly in the area of full-time GCE 'A' levels. The College had faced this competition by introducing policies to improve the position of the College in the local results league table for the 'A' level programme by demanding relatively high entry qualifications to help to ensure a high level of success. This had reduced the number of enrolments, and could either lead to the collapse of the programme or, as its reputation for success became known, it could lead to the expansion of the programme.

Other areas of competition were also closely analysed through market research in order to develop strategies and look for competitive advantages. The Open and Flexible Learning provision of the College, for example, had successfully developed in 'out-reach' locations in other parts of the county and the region, facing up to competition through being early in the field and producing high quality material and well organised support systems. The segmenting of the College markets based on detailed market research enabled the College curriculum managers to develop their programmes to meet the needs of their students. At the same time innovation and change were supported financially by such funds as the 'Key Innovation Fund', the financial support provided for the 'A' level strategy, the establishment of the College Business Centre and the Small and Medium Employer Communication Centre

9.8 Marketing

The Director of Marketing was appointed in 1991 after working in sales and marketing for the Ford Motor Company. She was appointed to set up marketing in the College. Her function included promotion and publicity, which were strongly linked to the College strategy, mission and objectives. Market research was an important part of her role and she had a Business Development Manager to work with her on this. The marketing budget was £350,000 including salaries and a promotional budget which was £150,000. Before she was appointed there was not a real corporate identity and she had spent £20,000 on developing this in 1993. She carried out focus group research on how the college was perceived using groups of students, employers and the public. She said that *"further education does not have a clear brand in the way that schools and universities do."* She felt that *"there is a view that FE is friendly, with a low aspirational attainment."* At the same time *"parents do not think FE is serious about study."*

She had segmented the market and branded these segments. The youth brand had been given a new promotion as 'Your Future Fantastic' and there was also an adult segment and an employer segment. Employers had been interviewed to find out what they wanted in terms of training and how they perceived the College and a key accounts system had been developed so that when the College had a link with a company, such as one from which the College buys computers, it is asked how much training it did and suggest ways in which the College could help. The Marketing Team monitored a number of College activities, such as student enrolment by feeder school. The Marketing Team consisted of five people plus six in 'customer services' which was the College reception service. The reception was

the first point of contact in the College taking enquiries, distributing materials and helping with promotional campaigns. The Director of Marketing felt that this was very important for information about the College and the type of enquires that were received. The Manager of the College Business Centre also came under the Director of Marketing.

The Director of Marketing said that the College Marketing Plan was an operational plan, including what the College wanted to achieve in relation to the College mission and how this was to be done. There was an attempt to integrate marketing which aimed at involving all members of staff, but it had not achieved this. Members of staff contributed to press releases and provided most of the information for them. A Lecturer said that he had no direct involvement in marketing, but he did attend Open Evenings. He knew that a colleague went to Youth Clubs with a College video in order to recruit students and a College mini-bus toured the housing estates to pick up students.

The Assistant Principal for Open and Flexible Learning thought that the Marketing Section was concerned with "*generic marketing*", but that everybody in the Department was responsible for marketing. In fact they carried 'flyers' with them wherever they went and recently they had concentrated on small and medium sized firms. The Open and Flexible Learning Department had half its income from outreach centres which were spread around the region and with one on London. These outreach centres were rooms or buildings in which courses were taught by the College staff with a computer link to the 'command centre' in the Department where there was instant access to support. The distance learning, material was good

enough to be published professionally, he thought, and this provided a competitive advantage over rivals. The college had been first in the field in many areas.

The Director of Marketing had a strategic planning role which involved the Business Development Manager in producing labour market information and a needs analysis. They carried out press scans and attended employment service briefings which fed into the College Strategic Plan via the needs analysis. Between them they provided a Labour Market Bulletin for staff, while each Department had a marketing and employer links representative who met with the Marketing Team to discuss what they were doing and what they wanted to do. The Team also met with each Department in order to develop a marketing plan for it.

9.9 Strategic planning

College targets such as student and unit numbers were decided, according to the answers to the National Survey, by Course Teams, Sections and Departments, with the senior staff also very involved and the Principal involved to some extent. As well as the views of course teams and programme managers, the job market and competition were also taken into account. In the College Charter (1997-98) the College commitment to the community was described as *“responding to the Government’s aims and policies for further education; seeking to benefit individuals, groups and business; and monitoring student achievements and destinations.”* The College Mission (set out in ‘The Report and Financial Statements for the year ended 31st July 1998’) was to *“make the difference to our communities through people - supporting personal development, progression -*

providing opportunities to advance, profit and performance - helping businesses succeed and prosperity - promoting success and pride in our community."

The College Strategic Plan for the period from the year 1997 to the year 2002 set out targets for student enrolments and targets for lesson observation with an improvement in these grades compared to those achieved at the FEFC Inspection. There were also targets for student continuation and for student attainment. A major College objective was established as *"improving student success rates as the overriding strategic priority for the period September 1996 to August 2000."* A second strategic aim was to *"expand its activities to benefit individuals, community groups and small businesses in areas of inner city deprivation"* particularly the two wards which were the main areas of deprivation.

The Assistant Principal for Open and Flexible Learning said that targets were discussed in the Autumn Term and estimates became part of the Departmental Development Plan. These went to the Principalship and became part of the draft Strategic Plan that was discussed at a Strategic Planning Weekend which was held at the end of each January at which the Governing Body and the Principalship decided on the Plan. Assistant Principals attended this but *"did not have a vote."* He was partnered with a Governor and this helped him to put forward the Departments point of view. The Finance Department balanced out all the Departmental Development Plans and then actual targets and budgets were given to Departments. The Chair of Governors confirmed the approach to the College Strategic Plan. Two Governors were attached to each College department so that

they could become involved in supporting the department, understand its work and bring its view on strategy to the Strategic Planning Weekend.

Financial targets included staffing costs which it had been decided should not rise above the established 64% of gross income, the Director of Human Resources confirmed. The Director of Finance said that there was an objective to reduce the proportion of the total budget which consisted of FEFC income. In fact 30% of the College income was non-FEFC including 2.5% from higher education franchising, 5% funding from grants, fees and training for employers, some income from the local TEC and tuition fee income.

A strategy that was not part of the FEFC strategic plan was the College policy on full-time GCE 'A' levels. The senior managers had established a goal which was to be at the top of the local 'A' level results league table based on ALICE, a national indicator of 'A' level success, so that the College would be above local schools. The entry requirements for these courses had been raised and this had resulted in much smaller classes. The hope was that as the College reputation improved more students would leave the local schools to study at the College. The Principal was prepared to subsidise this strategy for a few years.

9.10 The future development of the College

The Principal felt that *“there is a tension between the two key strategies although there is an attempt to place underachievers on courses on which they can succeed, but this does not always work and this can reduce the growth in achievement levels. So the aim to improve these levels does conflict to some extent with the aim*

to access underachieving groups.” He thought that achievement levels and league tables can be compartmentalised rather than applied to the whole College. *“These strategies may work,”* the Principal said *“in which case the College will grow larger, or they may not work in which case the College will grow smaller.”* Higher education was not very important to the College, he felt *“the College is an FE College, it is not aimed at growth in HE.”*

A Lecturer felt that the College mission was fairly obvious but agreed with the Principal that the main College objectives contained a contradiction. On the one hand there was an objective to widen access to the College on the other there was an objective to improve the College position in league tables. He was moderately optimistic that the ‘A’ level strategy would succeed and he thought there was more money for FE in general. However, arts and humanities (his teaching was in the Social Sciences) were heavily subsidised by the College and he was not sure how long that would last. Also he thought that the link with the local University was very difficult.

An Assistant Principal thought that *“in the future, the College will continue to diversify its offering in order to deliver a wider variety of provision.”* He said: *“this is all part of widening participation.”* He thought that *“competition in the sector will mean that some players will be lost. There is a continuing problem over retention rates and there could be an expansion of ‘Practical Skills Teachers’.”*

These were ‘instructors’ paid on the lowest four points of the lecturer scale, with responsibility for supervision and skills teaching up to 30+ hours a week, but not for preparation, marking or curriculum development. He thought that ‘A’ levels

would either expand as a result of an improved position on the local league table, or would eventually disappear. A College Governor thought that the College future would depend on Government policy, for example in terms of lifelong learning. *"It is better placed than many other education institutions,"* he said.

The Director of Marketing felt that the College future involved moves on all three of its major market segments. The first was in terms of 'business development' which would be through the Business Centre, the provision of advice and consultation, more training for larger companies with a focus on companies in the top one hundred and also on small and medium sized enterprises (the SMEs). The Call Centre in the Business Centre would help to advise individuals as well as bigger companies. The second segment was 'young people', where there would be more youth marketing, improved information about GNVQ, more 'A' level promotion as the grades improved, with the objective of reaching a target of 20% of the local travel to work area. The third segment was in 'adult education', where a partnership was being developed with two other colleges to provide adult education in the region, the formation of neighbourhood colleges or 'on your doorstep centres' in order to widen participation.

The Assistant Principal for Open and Flexible Learning thought that the next stage was to move training onto the internet and a pilot programme was planned for later in the year. The future for his Department was in telematics, which was communication technology with *"people sitting at home and getting their education off the internet."* However, people would miss linking up with other people, he thought, so that the extent and the speed at which these ideas would

spread across the College was not clear. The future, he felt depended on technological change and on the development of such initiatives as 'lifelong learning'. He thought that the College was nine months ahead of the game in terms of the internet which reflected the greatest benefit arising from incorporation which was the ability to follow initiatives. There was already an Austrian connection, mainly to exchange information. They were transactional partners via the Internet, *"there is no monetary advantages in these links,"* he said *"but there is no need for both them and us to invent the wheel"* so they swapped information and ideas.

9.11 Key issues arising from this case study

There was general agreement among those interviews about the main reason for change in the College, even though the Principal had said that the College did not alter its activities because of funding, he also said, in agreement with everyone else, that funding was pivotal. The Director of Finance had noted that the decisions that were necessary to adapt to the requirements of the FEFC had been taken early by the College. The emphasis on performance targets including student and unit numbers, retention rates and assessments, also indicated the importance of funding in the strategy of the College. The College financial strategy was to use resources and assets in new and innovative ways.

The College had carried out a number of policies in order to develop core competence. These had included training and development programmes, the provision of computers for staff, the promotion of marketing and the employment of specialists to assume responsibility for key management functions of finance, human resources and marketing. at or before incorporation. The Directors of

Finance and Marketing both had experience and qualifications in their management specialisms and both had worked in the private sector. The Director of Human Resources had a background in further education and in staff development rather than human resources but he had taken an MSc in Human Resource Management and Development, he had a trained Personnel Manager and a Staff Development Manager to support him.

The development of core competencies was seen strongly in terms of marketing where the Director was well supported by staff and had a clearly identified budget. A corporate identity had been introduced and there was considerable emphasis on carrying out market research so that the College could have a clear picture of the markets it served. By identifying and branding the market segments, College promotional efforts were targeted at particular groups of potential students and employers and the College Marketing Plan was aimed at enabling the College to achieve its objectives by developing a competitive advantage. There had been attempts to integrate marketing into the work of the College, which had been successful in areas such as Open and Flexible Learning but not successful in other areas such as Engineering. This emphasised the differences between attitudes of people working in different areas of the College.

The College strategic approach to problems was illustrated by its policy on GCE 'A' levels where it was decided to raise the position of the College in the local league tables for 'A' level success by demanding a relatively high entry qualifications to the 'A' level programme which would ensure a high level of success. The risks involved in this approach were clearly understood, including the

risk that it could lead to a collapse of the programme, but the College senior management were prepared to support this strategy financially for a number of years to give it a chance to succeed. This approach recognised the importance of a strategic approach to problems and the need to accept risks and trade-offs. The marketing function and the use of resources in innovative ways had helped the College to establish a strategic position in its markets and to develop a competitive advantage.

In relation to the conceptual framework and the theoretical models, there was an understanding in the College that the outer context in which it was working had changed which required a response in terms of the inner context, of organisational change and in the process by which change was introduced. At the same time the dynamic connection had been made between strategic management, change management and the culture (Newman 1994) of the College. This meant that there had been a number of positive measures to influence the organisational culture of the College to match the changes in the College environment. Although there were differences in the interviewees views on the changes that had been introduced and there was not a shared vision of a strategic pathway, the positive approach of the College towards consultation and communication suggested that these could develop. The senior managers of the College had embraced incorporation by introducing strategic change which had brought about the required balance between the finances, resources and competencies of the organisation with its new environment. The systematic approach to strategic decisions introduced in the College suggested that it was very much 'moving in the right direction' and that it would be able to cope successfully with future changes in its environment. In

Chapter 10 this Case Study is discussed in relation to the others and to the National Survey and the key issues are considered in terms of the conceptual framework.

Chapter 10 Analysis of the Case Studies

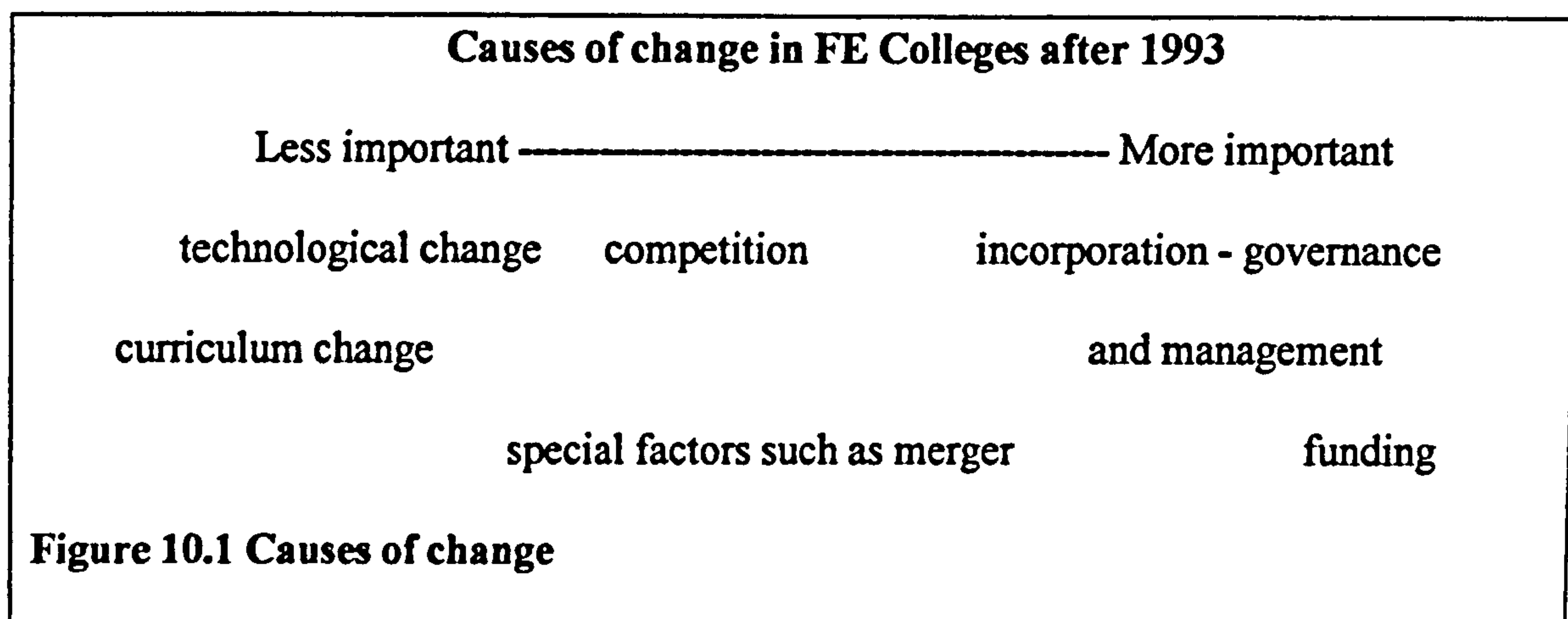
10.1 The case studies

Previous chapters have described four Case Studies which were developed as a result of the conceptual model and the critical issues arising from the National Survey. In this Chapter the Case Studies are compared and contrasted in relation to the key variables. The differences between the Colleges were not able to be measured exactly and a ranking system would have suggested particular degrees of differences between them under various headings. The comparisons that could be made were in terms of greater or less, so that for example levels of consultation appeared to be greater in College P than in College D (Fig. 10.6). It was not possible to say that consultation in College P was, for example, 30% more than in College D, but it was clearly greater, just as consultation in College D was greater than in Colleges A or L. Where exact data was available and sensible to use, as for example in the size of governing bodies (Fig. 10.5), it was included. This approach made it possible to compare the Colleges in terms of effective strategic change.

10.2 The external context

There was a common view in the four Case Studies that there had been an alteration in the external context of the Colleges which required strategic change, as a result of the Further and Higher Education Act 1992 and the resulting incorporation of colleges in 1993. The Case Studies also supported the results of the National Survey, in confirming that the main cause of change in the colleges as a result of incorporation was the alteration in the funding mechanism introduced by the Further Education Funding Council. The introduction of incorporation

provided colleges with self-management, while in order to receive funds, Colleges had to conform to certain requirements and it was these central factors which had brought about the need to change in the Colleges. The Colleges revealed that other factors were of some importance but of secondary importance compared to incorporation and funding. Factors such as information technology in the form of management information systems had become more important as a result of the need for data as a part of the monitoring system introduced into the new funding approaches. Changes in curriculum development had been influenced only to some extent by incorporation and funding so that courses had been closed or developed as a direct result of funding pressures and these closures and developments provided an indication of the strategy followed by the College. In some Colleges there were particular factors which had caused change, so that in College L the merger of three colleges to form the College prior to incorporation was reported to be a cause of change. In all the Cases, competition was a relatively important factor in the strategic development of the Colleges. The relative importance of these factors is illustrated in Figure 10.1. The 'more important' factors in this Figure coincide with the key variables in the external context of further education colleges in the conceptual model, which were legislation, funding and elements of the market, plus leadership in the form of governance and management which was a key variable in the internal context.. The other key variables in the conceptual model provided the bases for comparing and contrasting the Cases in relation to the finance and funding, organisational changes, governance and management, consultation, communications and organisational culture, competition and environmental assessment, college, planning and development.



Although one Principal (in College P) said that his College decided what it ought to do and then sought funding for it, in practice if the College had decided that it ought to do too many activities where funding was not available or was very low, the College would not have remained solvent. FEFC funding was the easiest form of funding to obtain in most cases because it was dedicated to further education. As FEFC funding moved from a fairly simple approach to funding student numbers to units based on the number of students, their curriculum areas, their retention, progression and achievements, colleges concentrated on activities which would attract this funding. Funding changes and college responsibility for their own finances influenced curriculum change. There was a need in the Colleges to consider the viability of courses and programmes, and this was confirmed in all the Case Studies. Decisions about curriculum offerings and development arose from the need for efficiency and effectiveness which was encouraged by the funding mechanism. All the Colleges had closed courses, although they had not closed major areas of the curriculum, and they had expanded other areas such as short course training and higher education provision. College A had carried out the

fewest changes, while College P had used market research to decide which courses to develop and which to close and in its strategic approach to 'A' level provision. College L had introduced considerable change to its curriculum provision because of the rationalising of its sites and the need to control its finances.

10.3 Funding

In the National Survey, college funding was considered to be the most important cause of change. Directors of finance had been appointed in all the Colleges at or just prior to incorporation. Analysis of the Case Studies revealed that this was a reflection of the need to convince the FEFC that the college was able to take control of public funds and the immediate shift of financial control and responsibility from the local authority to the college on incorporation in April 1993. These appointments had all been made from the private sector of well qualified and experienced people. The position of the Colleges varied considerably at incorporation. College L had an Average Level of Funding almost twice the FEFC target level, while College A had an ALF below this target (Figure 10.2):

	Average level of Funding (£)	Units of Funding
College A	16.63	336,014
College D	20.82	585,716
College L	34.5	685,875
College P	18.08	711,318

Figure 10.2 Funding levels

Colleges P, D and L all had to reduce their ALF in order to converge on the FEFC target figure which was varied year by year but was approximately £18. The original position of the Colleges' ALF was based on the level of their resources under their local authorities, so that College L had received relatively generous funding compared to College A which had been relatively poorly funded. This was an important factor in the Colleges arriving at strategic decisions. At the same time the capital assets of the Colleges also varied at incorporation. College L had 'inherited' eleven sites which provided it with capital assets which could play a part in the financial and organisational aspects of the College strategy. In contrast, College P had had to purchase a site in order to develop its activities. College A had a capital asset in the form of a College farm which was seen as providing it with a safety net for problems arising from its recurrent funding.

Efficiency and effectiveness savings were built into the FEFC funding mechanism so that all the Colleges had to make decisions about courses and programmes, levels of staffing and the allocation of resources, while financial pressures were very important in the operational and strategic decisions made by the Colleges, they did not account for their whole reaction to strategic change. The Colleges had started their lives as corporate bodies with different financial positions both in terms of their relative levels of resources and funding and their disposable assets, but they had reacted differently to the financial pressures place on them in ways which could not be accounted for entirely by their financial situations. Three of the Colleges (A, D and P) had relatively similar Average levels of Funding, yet their strategic reactions had been different. In particular Colleges A and P can be strongly contrasted in their approaches, because neither of them had to worry about

convergence with the FEFC Average Level of Funding targets, while they both faced their main competition from sixth forms.

In contrast to these Colleges, College L followed a strategy that was dominated by the need to reduce its ALF and this was so important that it effected decisions in areas other than finance. The changes it introduced had an effect on morale on those employed by the College, however there was little evidence of attempts to influence College culture or to improve morale through any organised process. Consultation with staff was limited to the requirements of legislation and FEFC regulation, with organisational control increasingly centralised. At the same time because the College was not able to grow, it was felt that there was no need to carry out marketing except in the most limited form.

10.4 Organisational structure

The National Survey had shown that colleges had altered their organisational structures in response to financial pressures and the effects of incorporation. Generally colleges had reduced the number of teaching staff, increased the number of administrators and reduced the number of layers of management. All the Colleges involved in the Case Studies had altered their organisational structure at around the time of incorporation. In all cases the process had started before incorporation either in response to the Local Management of Colleges or in response to the move towards incorporation. There was a similarity in the senior management structure of the four Colleges in that they had all appointed directors of finance and they had also made senior appointments to take responsibility for human resources and personnel management and for curriculum provision. The

following table (Figure 10.3) shows the date when the Colleges made these appointments:

Appointment of functional managers				
	Colleges			
	A	D	L	P
Director of Finance	1993	1992	1993	1993
Director of Human Resources	1993	1993	1993	1993
Director of Marketing	(1999)	1999	(1999)	1991
Director of the Curriculum	1992	1992	1992	1992

Figure 10.3 Functional managers

The area of greatest contrast between the four Colleges was in the appointment of a senior manager responsible for marketing. The only College to appoint a marketing professional was College P who had made an appointment from the private sector before incorporation. In College A, marketing had been one of the many responsibilities of the Deputy Principal for the first five years after incorporation, and it had then become the responsibility of a middle manager with very little experience in this area. In College D, marketing had been a low priority until an appointment had been made in 1999. This appointment had been from the College staff of somebody with previous private sector marketing experience. In College L, marketing was the responsibility of a senior manager who did not have any experience in this area and who was not supported by anybody with professional experience.

While all the Colleges had appointed experienced and well qualified Directors of Finance and Directors of the Curriculum, this was not the case with Directors of Human Resources. Colleges P and D had both appointed experienced and well qualified Directors of Human Resources, while College A had appointed someone who had experience as a Head of Department but without any specialised experience or qualifications in personnel and in College L human resources was one of a number of responsibilities of one of the three senior managers. Although these Colleges had personnel officers to support the activities of the senior managers, they had administrative responsibilities rather than an influence on policy or strategy. Management Information Systems (MIS) did not appear to have played a large part in the changes the colleges experienced. MIS could have provided support for organisational changes, financial and personnel matters, and provided information on students and potential students. The National Survey showed that many colleges had experienced difficulty in introducing MIS, mainly through staffing problems although there were also financial difficulties in introducing an effective system. The Case Studies showed that the Colleges had introduced MIS to support their financial control and either directly or through 'out-sourcing' to provide basic personnel requirements such as wage and salary payments. Where MIS had not been introduced successfully was in terms of information on students and potential students, except in College P where it had been introduced to an extent through its marketing unit.

10.5 Management

The Further and Higher Education Act of 1992 had changed the composition of further education colleges governing bodies. In the Case Studies it was revealed

that all the Colleges included a staff representative, a student representative, a member from the local TEC and the Principal. College P had a union member, an architect, a managing director, a person from business management, a finance expert and a person from a regional trust among its eleven members. College L included a representative from the academic board as well as a majority of business members among its sixteen members. College A included a number of public sector or ex-public sector members among its twenty members, including a number of members with links to the local authority:

Composition of College Governing Bodies

College A – twenty members, with a majority of business members plus

principal, staff member, student member and members from the
public sector

College D - fifteen members, with eleven business members plus

principal, staff member, student member

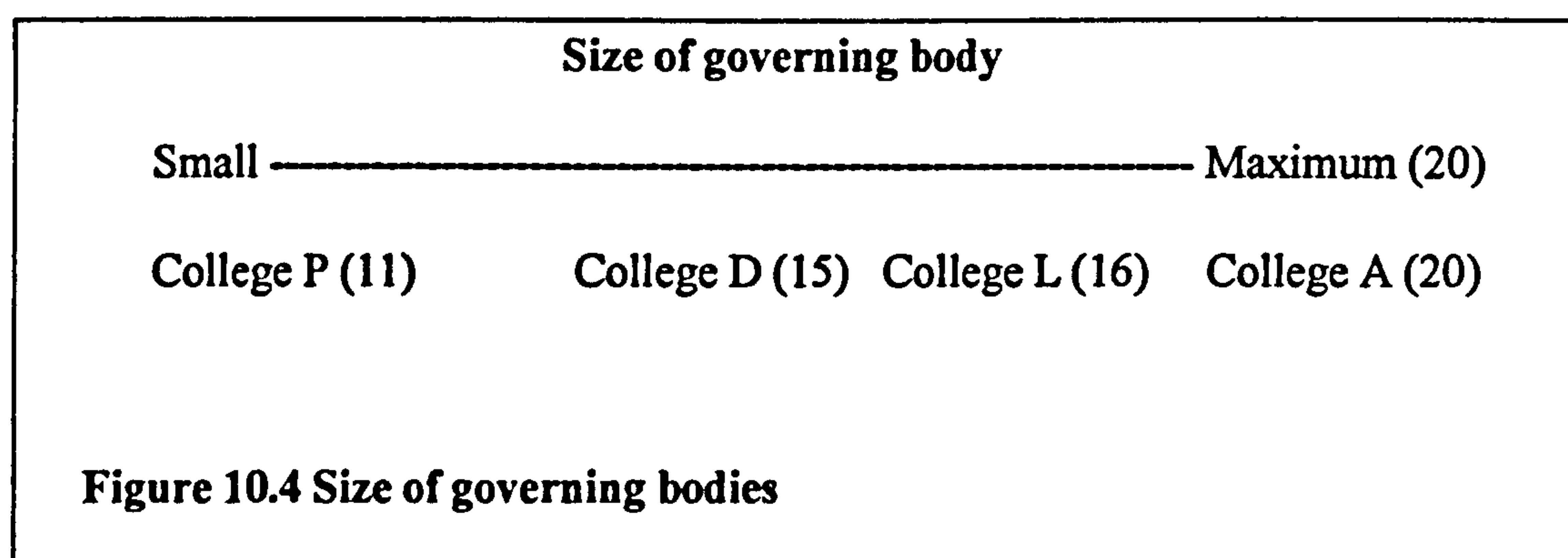
College L - sixteen members, with a majority of business members plus

principal, staff member, academic board member, student member

College P - eleven members, with a majority of business members plus

principal, staff member, student member

College P was the only College to have carried out a full skills audit on the composition of its governing body and had made a decision to maintain the skills that were represented. It also had the smallest governing body (Figure 10.4):



One of the fundamental changes in the role of the governing bodies was to move away from a representational role to the role of promoting the college's interests. Prior to incorporation governors were appointed to represent the interest of various groups and stakeholders, so that for example the local authority members represented the LEA view and their own political party point of view, the staff representative were concerned about staff interests and student representatives were concerned with student interests. The change from a representational to a corporate body was emphasised in the 'Guide for College Governors' (FEFC 1994, p 41) which stated that: *"the governing body is accountable to the Council and ultimately to Parliament, through the accounting officer (the principal) for the financial health of the college and for ensuring that it remains solvent; and the governing body, through the principal, must ensure the effective and efficient deployment, management and use of available resources, including human resources, property and other assets and consider the financial implications of its decisions."* College P had reacted to this by appointing a small 'business-like' governing body, while in contrast College A had attempted to maintain a similar governing body in size and composition to the one it had prior to incorporation.

The National Survey showed that most colleges felt that their Governing Body was responsible for defining college policy, monitoring the implementation of policy and appraising management performance. The Survey showed that in fact in matters of detail, such as target setting, it was the principal and senior staff who made the decision which informed the strategic plan, which was then agreed by the Governing Body. In the Case Studies there was agreement in the Colleges that the role of their governing bodies was as the College Corporate Body with overall responsibility for the college policy and management. It was also recognised that the governors were carrying out their duties on a voluntary, part-time basis, most of them had full-time jobs and few of them knew very much about further education. It was therefore the responsibility of the principal and senior staff to manage the college while being accountable to the governing body and through them to the FEFC. The governing bodies provided a monitor on College policy and actions, they offered advice and support to the senior management of the college. Although the governing bodies were responsible to the FEFC for the financial probity of the college, the College Principals felt that it was they as the Chief Executives who was in fact held to account for the financial and management record of the College.

The importance of management leadership in the colleges was indicated in the National Survey by the responses to such questions as who was responsible for various policies and actions in the colleges. This was confirmed in the Case Studies where it was found that although senior managers talked about the consultation they had with programme and course teams on target setting and strategic plans, other respondents felt that target levels and strategic objectives

were in fact set by senior managers. The various planning processes were seen as communicating targets, plans and policies, but not as ways of establishing them.

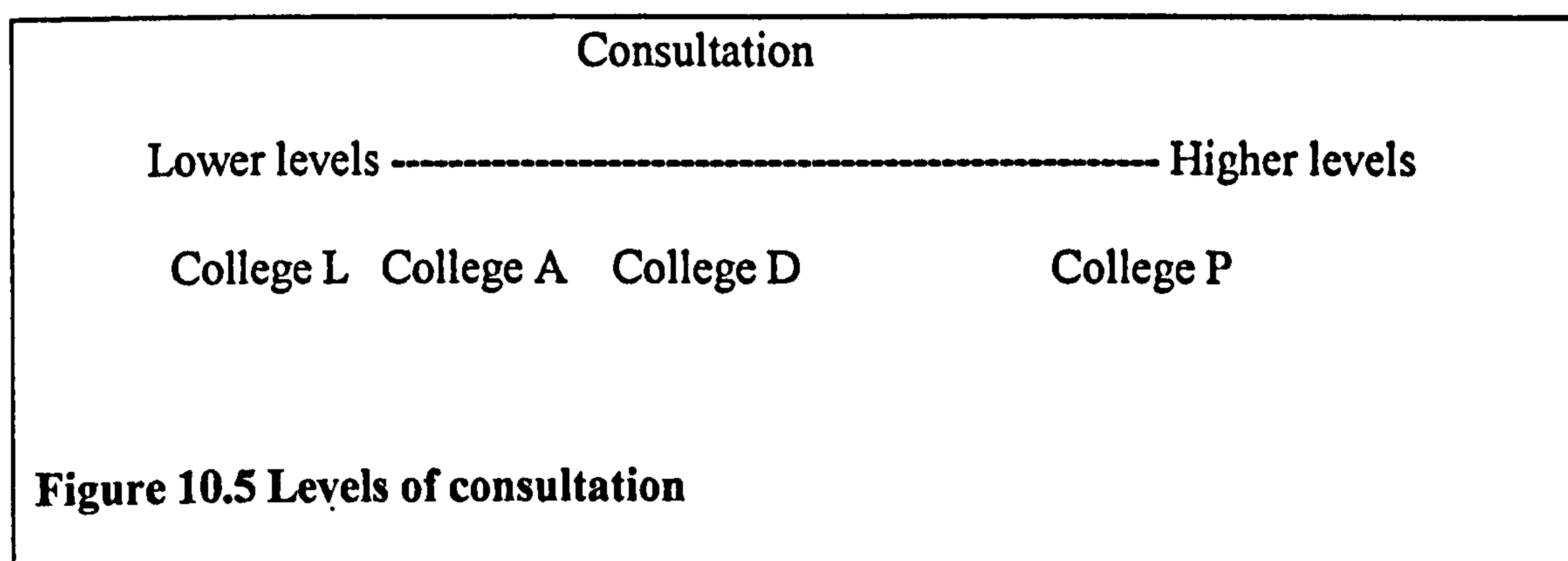
Although the governing bodies as a whole were constitutionally responsible for the success of the colleges, in practice the main responsibility fell on the principals. They were members of the governing body which was the corporation board of governance, they were the chief executives of the corporation and they were in practice responsible for the solvency of the corporation by the FEFC. The Case Studies showed that the responses of each Principal to strategic change was a major influence on the strategic actions of the Colleges, so that the approach of each of the four Principals reflected the approach taken by each College.

In comparing the four Colleges in terms of the key variables, it was apparent that the changes in the external context of the colleges required changes in management and leadership of the colleges to deal with the threats, opportunities and challenges that the new situation created. The Principal and senior management of College A dealt with the threats by making as few changes as possible and did not take advantage of the opportunities available by following a 'head in the sand' approach. In contrast, the Principal of College D embraced the entrepreneurial opportunities provided by incorporation by a range of actions and policies, including developing a Sixth Form Centre, expanding the provision of higher education and encouraging a College Business Centre. The redundancy programme the College had to introduce three years after incorporation did not diminish the enthusiasm of the Principal.

In College P, the Principal and senior management had provided leadership and a positive sense of direction based on training and development for College staff in relation to the changes they were experiencing, the highlighting of staff successes, and information based on a developed market research function. In contrast, in College L the three senior managers had provided strong leadership in introducing change but without encouraging a shared vision. The overall view that emerged from the National Survey and confirmed by the Case Studies was that although senior managers had experienced considerable changes in their role there had been very little formal training for the change. Principals felt that they and the Vice-Principals did not need training and development, while other managers did need training for the changes in their roles as a result of incorporation.

10.6 Consultation and communication

Colleges can be compared in relation to the key variable of their levels of consultation and communication on matters such as strategic plans and target setting and their approach to organisational culture. Although in all the Case Studies the senior managers considered that there were reasonable levels of consultation, this point of view was not supported by everybody else in the Colleges. Figure 10.5 represents a generalised view of levels of consultation in the Colleges. In College L there was very limited consultation with members of staff, in College A consultation with staff was concentrated on an Annual Planning Day by which time major decisions had been, in College D there was consultation between the senior managers and the faculties on the strategic plan but this was too



late to have an effect on the strategic plan for that particular year, while in College P there were more attempts at consultation although there were different views within the College about their effectiveness. Strategic targets were decided by course teams and programme managers at College P and these were discussed at a Strategic Planning Weekend and scrutinised by the finance department. Senior managers felt that consultation did take place but other staff thought that in the end decisions were made by senior management.

The National Survey showed that most colleges had introduced redundancy programmes as a result of incorporation and the needs of the funding mechanism, at the same time, as a condition of receiving funding, colleges had had to introduce a process of changing staff contracts of service. The Case Studies showed that these actions had a considerable impact on everybody in the Colleges, highlighting differences between groups of staff in a way that had not been present prior to incorporation. On the one hand, the Principals and senior staff had to face up to the full responsibility of the self-management of the Colleges and on the other hand the teaching staff of the Colleges had to adapt to the new requirements

imposed by incorporation and FEFC funding. The senior staff of the Colleges had to develop a more 'business-like' approach to managing the College, they had to develop the skills of management as well as the skills of administration. The functional management element in the senior team of colleges had increased in the 1990s and before this the senior staff of the colleges had often been referred to as 'administrators' carrying out the requirements of the local authority, rather than 'managers' organising, controlling, establishing strategy and responsible for all aspects of the organisation. These changes could be considered to be about the culture of the Colleges, in 'the way they did things', and altered the relationships between groups of people working in the Colleges. College D had encapsulated this in the College Charter in making the statement that the College philosophy was *'a service ethos within business imperatives'*. There were however clear differences in this College between the views of the senior managers on levels of communication and consultation and those of other members of staff

The teaching staff in colleges did not face changes to their roles as a result of incorporation in the same way as the change of roles faced by the senior management. The central role of lecturers in terms of teaching and organising curriculum based courses and programmes continued as before, but their conditions of service changed considerably as a result of the FEFC financial requirements. The FEFC requirements for efficiency savings meant that teaching staff faced larger classes, longer hours and revised programmes which gave them fewer hours a week and a year with particular groups. They were invited to sign new contracts of employment which worsened their conditions of service with financial penalties imposed on the college by the FEFC, as well as by the college

on lecturers, if the old 'Silver Book' contract was not scrapped and new contracts introduced. At the same time teaching staff were encouraged to consider their college as a corporate body with the need to attract students through good public relations, 'customer' care and successful competition with rival organisations. They also had to face more stringent targets in terms of assessment results and retention of students and because they were responsible for more students and more courses they faced a greater load of preparation and assessment.

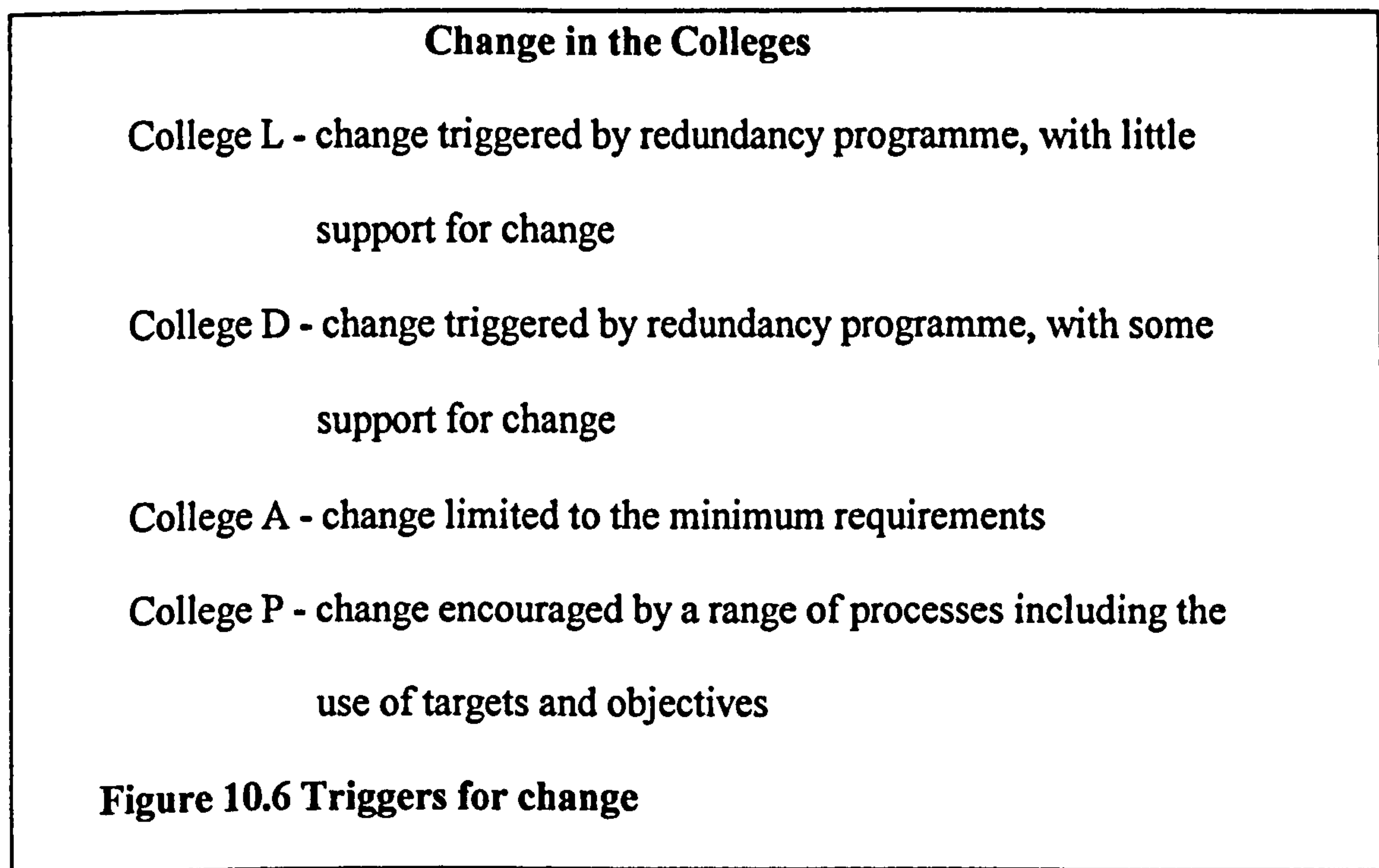
These developments had the effect of challenging lecturers professionalism as experts in teaching as well as long established views and assumptions about the size of groups, the number of hours a group required to achieve a particular qualification and the results that should be achieved. This emphasised the gap between college management staff and lecturing staff as managers demanded changes in working conditions and working habits and greater scrutiny of lecturers' work. The case studies raised the issue of 'quality' and 'standards' where on the one hand the FEFC required improved assessment results from groups of students and on the other hand lecturers were being asked to work with larger groups for fewer hours. The FEFC and college management were also demanding improved retention rates for students and held lecturers responsible for these even though the lecturers felt that they had little control over them.

The introduction of incorporation also raised questions concerning the public and private sectors as a result of the introduction of what were generally considered to be 'business-like' measures. The emphasis on targets and the direct link between these and financial returns challenged the prevalent assumptions of providing a

'service' to the community. Lecturers felt that the emphasis had changed from providing a learning service to achieving financial targets and their views were reinforced by the introduction of a different language to describe familiar matters. Words like 'customers' to describe students, the greater importance of 'competition' and 'marketing' as concepts, the fact that the principal was also the 'chief executive' and became the 'employer', that directors of finance were recruited from the private sector, and the change in the composition of the governing body so that it ceased to be a representational body and became a corporate body all suggested that the basic and long-held beliefs and assumptions about the nature of further education were being challenged.

The reaction of the Colleges to these changes can be compared. Although financial and funding considerations were the underlying 'triggers' for change in the Colleges, their reactions and effects of these were felt in different ways. In two of the Colleges (L and D) the actions which highlighted the changes included redundancy programmes that caused reactions throughout the College. In College D there had been more attempts at consultation and communication than at College L and the personnel section had introduced staff welfare and development programmes to assist cultural change. In College A there had not been this trigger of a large redundancy programme to encourage change and this lack of a course of action that highlighted the changes being introduced was emphasised by the senior management policy of introducing as little change as possible. Staff contracts were altered to meet the minimum requirements of the FEFC, the governing body was altered as little as possible, there was little attempt to compete with rival institutions, senior management saw itself as a buffer to prevent the academic life

of the College being directly effected by the requirements of the FEFC, so that there was an attempt to cushion College staff from the changed environment of incorporation. This senior management strategy meant that in the years after incorporation a gap opened between the culture that existed in the College and the requirements of the new environment.



In College P there had also not been a sufficiently severe redundancy programme to highlight the changes being introduced, however it had carried out more policies to support the changes than the other Colleges, including publicising student and staff successes and winning national awards for excellence. There were also attempts at communication and consultation across the College and although these had not been entirely successful they had been supported by senior management and a strong and active marketing unit. These attempts had been appreciated to some extent by the union representative.

10.7 Environmental assessment

In the National Survey 87% of the colleges considered that competition was one of the main causes of change. The changes brought about by incorporation in terms of efficiency and effectiveness targets and the need for colleges to bid for funds from the FEFC encouraged the view in the Case Studies that increased competition was a part of government policy for the sector. However, in the Case Studies competition was not considered to be as important a cause of change as indicated by the National Survey, although it was still a key variable in the approach of the Colleges to strategic change.

In College D the level of competition was not felt to have changed dramatically as a result of incorporation and the main competition, in common with the other Colleges, had been from school sixth forms. The response to this competition from schools at College D was to open and develop a Sixth Form Centre which had 450 pupils in it and provided direct competition to the schools. In College A, although it was surrounded by other FE colleges they were thought to be at a sufficient distance to only provide competition on the fringes of the College main market for students. Schools presented strong competition for the College and its main strategy was to avoid direct competition with the schools and to ignore competition from other colleges. In College P the main competition was again from schools and in terms of the GCE 'A' level the College reaction had been to introduce a high risk strategy, which the Principal thought could either succeed or fail. At the same time the College had carried out detailed market research and had segmented the market in order to focus the College promotional activities and face competition.

College L was in an area of strong competition from other colleges and school sixth forms but it was considered less important as a cause of change than incorporation, funding and the merger which had taken place a year before incorporation. The College had largely ignored the competition that faced it because it had focused on the main causes of change.

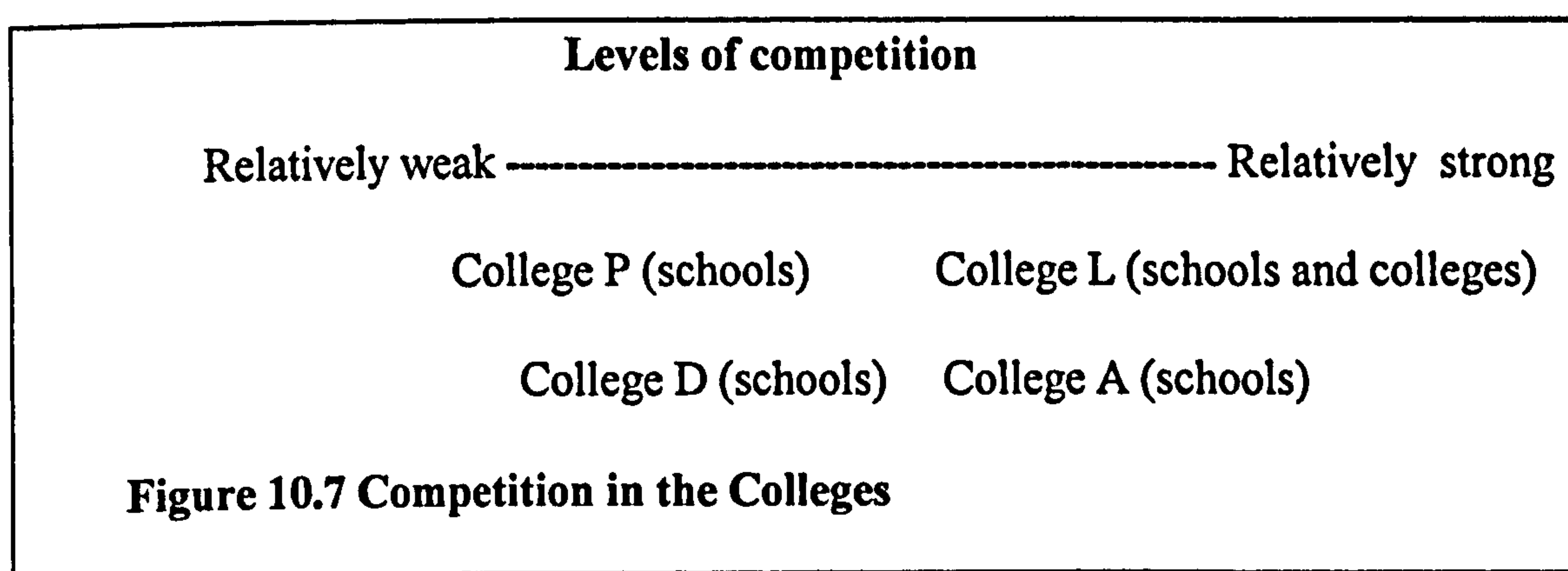


Figure 10.7 provides an illustration of the Colleges view of their levels of competition. Colleges P and D had faced up to their competition and introduced measures to compete successfully, Colleges A and L for different reasons had introduced few attempts to do this. College A had been the only College which had sought to avoid head-on competition by closing courses where this was at its greatest, and concentrating on areas where competition was more limited. At the same time it sought to organise alliances with higher education and other further education colleges and it had not organised itself to face-up to competition in any direct way.

The National Survey revealed that in most colleges the marketing budget had increased since incorporation and that in over seventy percent of colleges a marketing specialist had been appointed. The level of these appointments was not shown by the National Survey, nor what college policy was on marketing. The Case Studies revealed that in three of the Colleges, A, D and L, marketing was seen largely in terms of publicity and public relations. In College A there had not been a corporate style for publicity material in the first six years of incorporation. College D had made decisions and taken actions which enabled the College to compete effectively with the schools in its locality but marketing had been given a low profile for the first six years of incorporation. College L had floated a few courses to see the response, but otherwise relied on word of mouth.

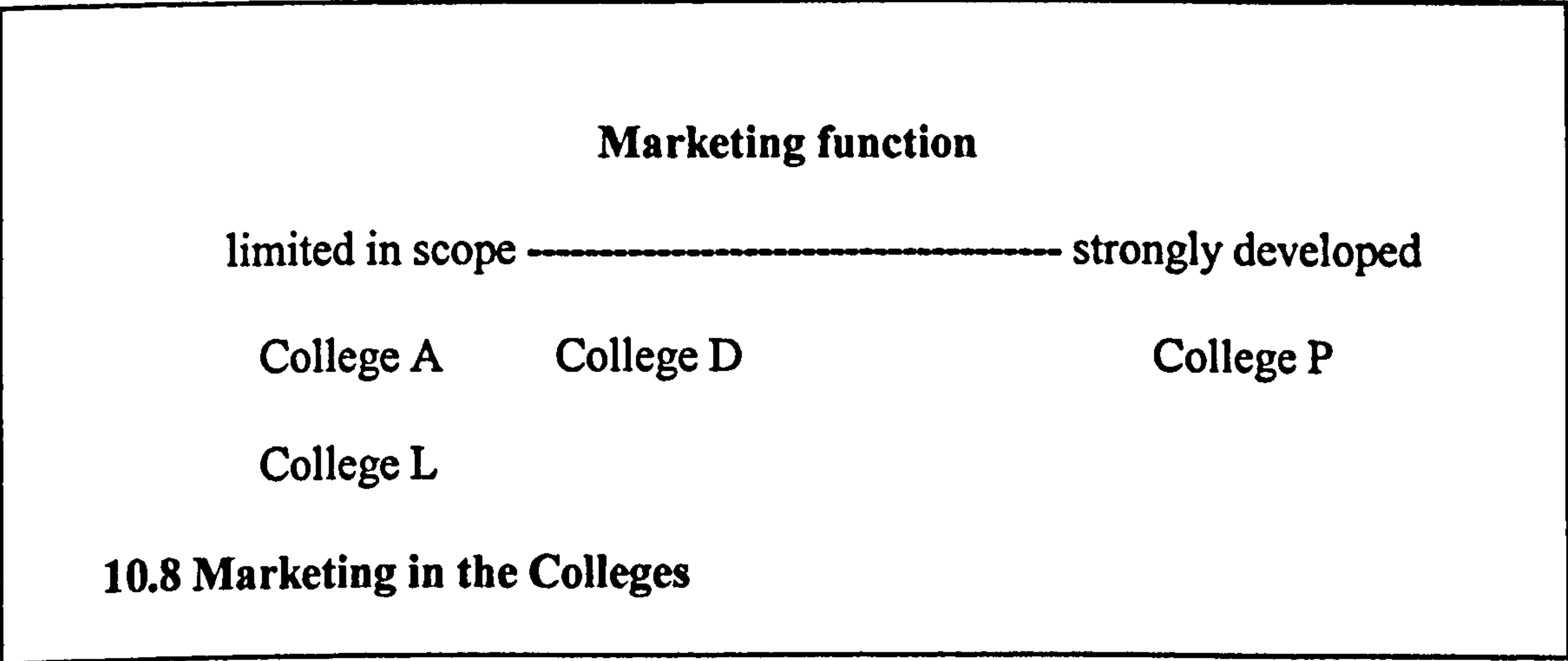


Figure 10.8 illustrates the reaction of the Colleges to the marketing function. Only College P had introduced a full marketing function including market research and, with the exception of College P, there was little understanding of marketing in the Colleges. This meant that market research had not been used systematically to support the promotion of the College programmes and to promote a competitive advantage, marketing had not supported a ‘customer care’ service and it had not

been used in attempts to effect the culture of the Colleges. These differences were reflected in the appointments made by the Colleges to the marketing function (Figure 10.3) with only College P (until College D made its appointment in 1999) appointing a marketing manager at a senior level as a part of the Senior Management Team. It was also the only College to appoint someone who was qualified and experienced in marketing.

The general view of marketing amongst staff below the senior management level in Colleges A, D and L was that it was something someone else did and that it was about putting advertisement in newspapers, arranging for open days and dealing with any other publicity that was required. Although staff in the Colleges were involved in open days and to some extent in the preparation of publicity material it was only in College P that there was an attempt to make marketing an integrating function through the College. The staff on the College reception in College P were a part of the customer care arm of the marketing department, a variety of people had been involved in the preparation of the strategic marketing plan and there was an extensive market research programme. The use of market research to provide information for College strategy was a distinctive feature of marketing in College P. The marketing department collected detailed information in order to produce a student profile for every course and programme, the College market had been analysed, segmented and 'branded' so that College publicity and promotion were focused, employers had been interviewed to discover their views on the College and their needs and focus groups had been established amongst the main College stakeholders. Although the senior management of all the Colleges had a feeling for their market it was only in College P that a detailed analysis of both College

resources and the needs of College customers had been carried out so that it had been able to develop a competitive advantage based on learning about itself and its markets.

10.8 Planning and development

The National Survey and the Case Studies confirmed that the process of producing the college strategic plans were carried out by members of the senior management of each college, with information provided by faculties, sections and programme areas and with various levels of consultation. The strategic planning process was seen as mainly about confirming the FEFC requirements in order to obtain FEFC funding and to provide a basis for judgement in the FEFC inspection system. The Case Studies revealed that these plans did not necessarily coincide exactly with actual College strategy or in the College strategic reaction to change. Although the governing bodies had been given a clear role (FEFC 1994b) in the consideration of and agreement of the strategic plans and these were meant to guide all the major decisions coming before it, in practice the Case Studies revealed the governing bodies gave final approval to the plans, rather than having detailed involvement in producing them. Governors depended on the senior managers of the Colleges to produce the plans and to develop College strategy.

In the Case Studies it became apparent that there were considerable differences between the Colleges in response to the strategic change they faced in the years after incorporation. These differences were reflected by their views about their future. In College A there was not a clear view about the College future or about College finances. The Principal thought that the College finances were “strong”

and should remain stable with small reserves, with income and costs in balance and a limited ability to invest. On the other hand the Deputy Chairman of Governors thought that the College had a hand-to-mouth existence and that it was held back by a focus on costs. There was *"no culture of having to speculate to accumulate,"* he said. The Director of Finance felt that the College finances *"are going downhill and in due course it may join the 94 colleges which have financial problems."* He identified a *"half million pound gap to plug"*, and *"a downward spiral in the budget."* The different views about both the future of the College and its finances reflected the lack of a positive strategy in this College as compared to the other Colleges in the Case Studies. The strategy that did exist was based on limited change and looking back to the past, so that the size of the governing body had been changed the least among the Colleges and there were few changes in the organisational structure and there was not an active marketing function.

In College L again there was not have a clear idea about the future of the College, but a positive strategy had been developed to achieve at least medium-term objectives. This was through a cost-driven strategy, developing a small, strong and united senior management team which had largely achieved its immediate financial objectives on convergence with the demands of the Funding Council. Although there was only a general idea of future objectives and little idea about how to achieve them, the way in which it had single-mindedly achieved its shorter term aims suggested that it might be able to develop future strategies with the same drive. As was the case with College A it had not developed a marketing function to any extent because the managers felt that this was not required in a period of retrenchment, but unlike College A it had accepted the consequences of

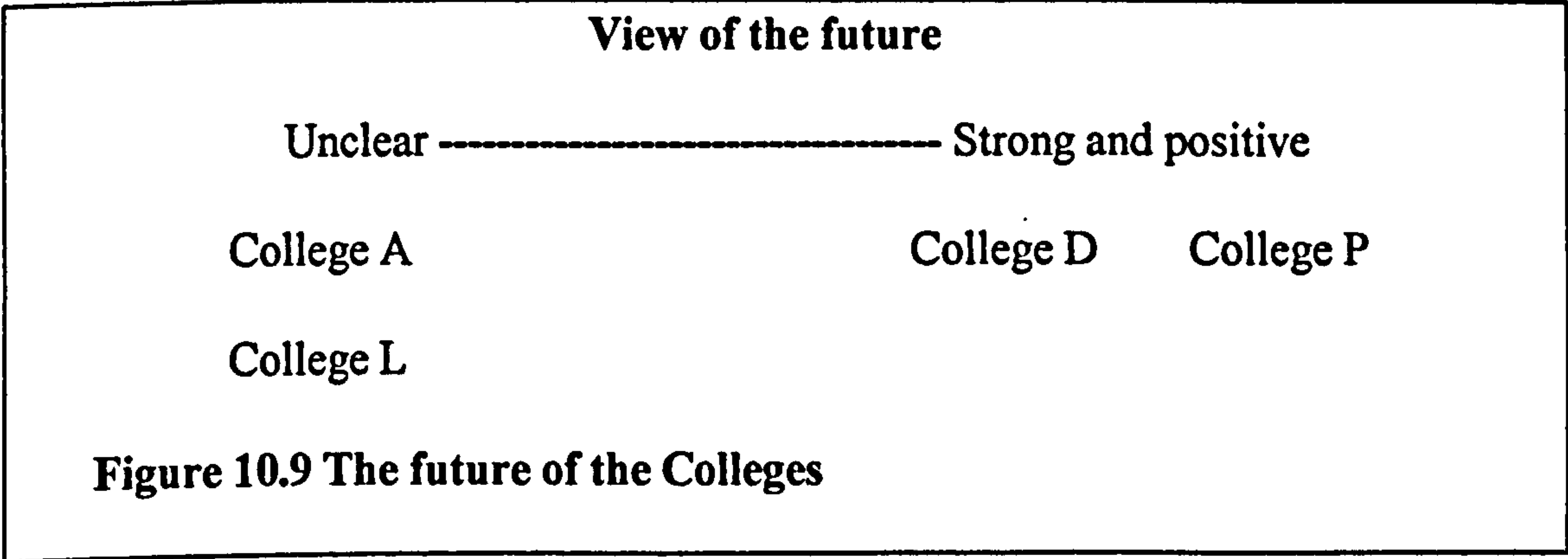
incorporation and had followed a positive strategy to cope with these consequences.

The Principal of College D looked forward to the College expanding its higher education provision, while a Governor felt that the College should concentrate on further education and on training because there were plenty of universities to provide higher education. He thought that the College was financially healthy, but he felt that marketing and quality issues should be emphasised and that it should become client centred. The Director of Finance felt that the College was *“generally quite healthy in its size and development,”* although there was still a worry over the budget. He felt that the mind set of College staff in general was still in local authority mode. The Head of Personnel felt the College had a *“bright future”* because it was *“a good College with money in the bank and good people in post.”* A Dean of Faculty thought that the present model was one of *“disorganised chaos”*, and that the funding mechanism had distorted the purpose of education because it was based on national needs while local needs had been driven out, while a Lecturer thought that the priority was to *“get the paperwork done”* and a Curriculum Co-ordinator felt that *“people are weighed down by funding and its implications.”*

College D was similar to both College A and L in not developing a high profile marketing function particularly in the early years of incorporation, but it had made up for this by the strategies followed by the Principal and his senior management team. A positive strategy had followed incorporation and measures had been taken to compete with rival institutions. This positive approach had been reflected to

some extent in changes to organisational structure and the physical development of the College. The Colleges view of their future is illustrated in Figure 10.9.

The Principal of College P stated that the College was an FE College, it was not aimed at growth in HE. He thought the College could grow or could become smaller, depending on whether the College strategies worked, while the Director of Marketing thought that the future involved moves in all three of the College major market segments. Compared to the other three Colleges, College P had greatly reduced the size of its governing body, it had a highly developed marketing function, it had altered its organisational structure and taken account of College culture. It had introduced a systematic approach to strategy which was reflected in physical changes to the College as well as its approach to developments and the consequences of incorporation. It had the clearest idea of the way forward and how the College would proceed in the future.



10.9 Stakeholders

Although organisational stakeholders were not identified as a key variable in the conceptual model, their influence on strategic change in the Case Studies emerged

through the other variables, to such an extent that it could be considered a weakness of the Pettigrew, Ferlie and McKee (1992) model that they were not included as a key variable. In fact, the Colleges all had similar stakeholders after incorporation, which in the National Survey were identified as College staff, the FEFC and local employers. The Case Studies confirmed the FEFC as a powerful stakeholder exerting its influence through funding and its demand for strategic plans and the process of inspection. In terms of the Nutt and Backoff (1992) analysis, the FEFC could be described as both very important to the Colleges and, if opposed to a course of action proposed by a College, could be described as 'antagonistic' in that managers had to negotiate with it and try to develop arguments and actions which satisfied it. For example, College L had to follow a policy which reduced the level of its ALF or the FEFC would have become an antagonistic stakeholder.

College staff were described in the National Survey as important stakeholders, however in the Case Studies it emerged that in practice the power of College staff was limited. The union representatives interviewed in the Case Studies reported that union power had in fact been limited by the changes introduced by incorporation. The weakness of the unions was clearly shown in College L where strategic change had included a redundancy programme even though this policy was strongly opposed by College staff. The influence of employers as College stakeholders was largely seen in the Case Studies as being exerted through the governing bodies where they formed a majority of the members. They were also on Colleg consultative committees, they provided students for training and employed students after they qualified, all roles similar to the ones they had before

incorporation. They could be seen as 'supporters ' in the Nutt and Backoff (1992) analysis whose views needed to be reinforced so that they became advocated for the College. College staff on the other hand could be described as 'problematic' because they opposed some College policies and College management had to make attempts to satisfy them.

College students were identified as important shareholders by just over half the colleges in the National Survey and not very important for just under half of them. In the Case Studies it emerged that students were very important in the consideration of College strategy because they were the 'customers', and also that their power to directly influence College management was limited. The students bodies were highly fragmented in that that their attendance patterns varied and many of them were part-time students, they included people from a very wide age range and they were studying for a wide range and level of qualifications. The result was that there was little cohesion in the student bodies and they were not strongly unionised. All the Colleges in the Case Studies had student service and support programmes, although they varied in their 'customer care' and marketing efforts.

Other stakeholders, such as the local Training and Enterprise Council, were not revealed as important influences on the Colleges, particularly in comparison to the FEFC. The Colleges made very limited attempts to redefine strategy to satisfy them or to change their views. The evidence of the Case Studies was that the FEFC was the dominant stakeholder for the Colleges, which had to be satisfied.

10.10 Comparisons and contrasts between the Case Studies

Contrasting the results of the Case Studies, the reaction of the Colleges to the key variables in the conceptual model provides comparisons in terms of similarities and differences which can be developed into a theoretical proposition in relation to effective strategic change. The Colleges had all made efficiency savings through changing the working conditions of service of lecturers, reducing the teaching hours for groups of students and increasing the size of the groups. They had varied in how they had used their resources, with College L following a cost-driven strategy, College A trying to maintain the status quo, while College P attempted to use resources to expand and develop provision. The Colleges differed in their approach to the issue of competition, with College A attempting to avoid it, College D reacting to it and College P creating a systematic approach through its marketing function. In terms of organisational culture in College A and L in particular there was a harking back to the past to a time before incorporation to a previous status quo. Neither of these Colleges had taken positive steps to influence their organisational culture whereas this had happened to an extent in College D and to a much greater extent in College P. College P had attempted to integrate a marketing approach into the way the College operated.

The funding of the four Colleges was an issue that permeated the research and the importance of this for the finances of the Colleges reflected their relative success. In the period between 1994 and 1999, whereas the allocation for College P had risen noticeably as a reflection of an increase in the number of students with the growth in the funding unit total, the allocation of College D had risen only slightly,

the allocation for College A had remained the same and that for College L had fallen (Figure 10.10):

College funding allocations (1994/94 - 1998/99)

	Funding allocation 1994/95 (£ million)	Funding allocation 1998/99 (£ million)
College A	5.8	5.8
College D	11.5	12.2
College L	18.9	16.7
College P	10.3	14.2

Figure 10.10 FEFC funding allocation

These figures show the success of College P in expanding its provision as compared to the other Colleges. While in all four Case Studies there was an understanding of the need for strategic change as a result of the external context and in the light of the pressures and opportunities created by their internal contexts, their actions and policies did produce different results. College P can be contrasted with the other Colleges in its attempts to influence change, in developing an internal market and initiating staff development and other programmes to help people in the College to understand change. The College had displayed some of the characteristics of an 'exploring' culture (Scholz 1987) in being orientated to the present and the future, operating a risk against gain trade-off approach in some areas, accepting radical change and being relatively 'extroverted'. Although the Director of Finance of the College thought that there was still a culture of professionalism in the organisation which clashed with the

need to improve efficiency, he thought that cultural change was being influenced by encouragement, guidance and enabling.

Prior to incorporation there had been a shared intent in further education colleges in the understanding that the purpose of the institution was to provide an education and training service. Although this remained a uniting factor after incorporation, at the same time senior managers in particular and middle managers to some extent, had to introduce measures of efficiency and effectiveness for the organisation to prosper. Both College P and College D had made positive attempts to bridge the gap between the values of management and those of providing an educational service. College L largely ignored the differences between the views of senior managers and other staff in its single minded approach to change, while the senior management of College A had tried to pretend that the problem did not exist. In this Case Study there was evidence of 'strategic drift' (Mintzberg 1989) with managers resisting changes that conflicted with their predominant way of understanding the organisation and its environment and with a growing gap between the way the College operated and its new environment

Pettigrew and Whipp (1991) suggested that cultural models of strategic change implied consideration of such topics as language systems and symbols and there was an indication in the Case Studies that the use of business orientated words (such as 'customers') rather than academic orientated ones (such as 'student') did cause division amongst College staff. The marketing professional at College P did not press the use of 'new' words and descriptions, whereas the Head of Marketing at College D saw progress towards a more business-like approach in terms of more

members of staff using the word 'customer'. College P had attempted to change its understanding of the organisation and its environment through both internal and external marketing processes including carrying out a SWOT analysis and market research. College D, although it had accepted the changes in its environment and developed ways in which it could prosper, had been less systematic about the process. College L had reorganised its structure and organisation and made considerable changes to meet the needs of its new environment, but it was not clear that the fundamental understanding of the organisation had changed except amongst the most senior staff. It had been helped by being provided with very generous resources in the past, but another change in its environment would have to be met without this advantage. Given the high level of competition it faced its future success could depend on improving the quality of its provision and the introduction of marketing.

In terms of leadership, Schein (1992) argued that the style of leadership depended on the stage of organisational development and although all four Colleges were established organisations, their styles of leadership were different. In College P there was a deliberate attempt to encourage organisational learning by designing the internal context to enhance learning and build on success, so that the College had developed into a flexible and more organic type of organisation. College D had followed this approach to some extent in a less systematic way. In both Colleges the leadership had accepted the changes they faced and made attempts to build success on this. The change leadership style in College A had been more similar to an organisation at the mature and declining stage of development than the others, with managers clinging to their old ways even though there were signs of

increasing problems. College L had not developed flexible or organic structures and change had been imposed by senior management

In terms of Porter's (1985 and 1996) ideas of an organisation's needing to define a unique position, so that it could outperform rivals by establishing a difference it could preserve, the management of College P had understood this and had carried out actions to achieve it, while College D had ideas of developing a competitive advantage and had taken some steps towards achieving this without creating a very clear strategy. College A had looked for areas where there was the least competition rather than making positive moves towards establishing a unique position and College L had been too involved in conforming to the immediate and pressing needs of its new environment to develop a competitive advantage over its rivals. The senior managers of College L had a single-minded approach to achieving strategic objectives which suggested that they might be able to approach future changes with the same strong focus, however they had achieved their objectives at the expense of many factors which could weaken the organisation in terms of future development. In contrast, the senior managers of College A had not achieved fit with its new environment but had allowed the organisation to drift into a situation where its future was uncertain. The senior managers of College D had taken decisions and actions to provide a competitively superior fit between the organisation and the environment in order to achieve organisational objectives. The College depended on future strategic leadership and the development of systematic approaches to underpin the achievement of future objectives. In College P senior management had provided strategic leadership in taking the actions and

developing the systems to produce a learning organisation which could adapt to future change as successfully as it had to incorporation.

Major differences were revealed in the Case Studies in the reaction to strategic change, which is illustrated in Figure 10.11 below which compares the Case Studies in terms of the key variables in relation to the processes they introduced. While all four Colleges faced the same external context in the form of legislation and incorporation, and relatively small differences in internal contexts in relation to regional differences and organisational culture, the Case Studies revealed major differences in funding and leadership which proved to be a major factor in their approaches to strategic change. In the strategic processes revealed in the Case Studies, the Colleges had to make decisions in relation to finance because of the

Comparisons and contrasts between the Case Studies

Case Studies	A	D	L	P
Key variables				
finance	4	7	4	9
organisational structure	4	6	5	9
communication and				
consultation	4	6	2	8
environmental assessment	3	7	4	9
planning and development	3	6	4	8
management	4	7	7	9

Figure 10.11 Comparisons and contrasts between the Case Studies

changes made to their financial positions at incorporation and organisational decisions because of the changes made to their structures at incorporation. They had to consider changing elements of their markets through environmental assessment, college culture through communication and consultation, and to make management, planning and development decisions in connection with how the changes were to be made.

Figure 10.11 is designed to summarise the contrasts between the Case Studies in relation to key variables included in the conceptual model. The numbers given to each variable under each Case Study are on a scale of 1-10 where 1 indicates relatively poor performance in that particular variable and 10 represents excellent performance. Scores above 5 represent a better than average performance, while a score below 5 represents a weak performance. The scores are based on the analysis of the Case Studies and are designed to provide an indication of performances rather than any exact differences between them. In finance for example, College P was the only one which had seen a significant growth in its annual income (see Figure 10.10). College D had achieved a small growth in its annual budget, College A had remained static, while College L although it had seen a reduction in its budget over the years, it had at least achieved its financial objective of reducing its ALF. The scores of these last two Colleges reflect the uncertainty of their future financial positions.

In terms of organisational structure College P was the only one to have faced up to the changes in the external context by reducing its governing body to a 'business-like' size (Figure 10.4), while College A had retained as large a governing body as

it was allowed. While all the Colleges had appointed functional managers at a senior level at an early stage of incorporation in other areas (Figure 10.3), in marketing this had only been the case with College P. All the Colleges had altered their management structure as a response to incorporation, although again it was College A that had done the least in this direction. In relation to attempts to relate college culture to the new circumstances, and levels of communication and consultation it was again College P that had carried out the most actions in this direction (Figure 10.5), and Colleges A and L the least. On marketing and environmental assessment, College P was a long way ahead of the others (Figure 10.8) and it was the only College that could base its decisions on information collected systematically, and College P also had the clearest plans about its way forward (Figure 10.9) Finally in terms of the key variable of management leadership Colleges P, D and L all had leaders who had made sure that their College had changed in strategic areas to meet the requirements of their new external context. Only in College A had the senior managers carried out very few strategic actions to adapt the College to the changes it faced.

The Case Studies revealed that the Colleges had contrasting finances as a result of their funding and assets and the financial decisions they had taken, and they had contrasting organisational structures as a result of the decisions they had made since incorporation. The processes the Colleges introduced can be compared in relation to management, consultation and communication, environmental assessment and development and the scores in Figure 10.11 provides a contrasting picture of the four Case Studies in relation to these key variables. This cross-case comparison highlights the importance of the reactions to the variables in achieving

effective strategic change. College P is consistent in recording scores above average, while College A consistently has scores below average. This contrast and the success of College P suggest a general explanation that can apply to all cases where the interrelationships are similar. It is possible to make the theoretical proposition that effective strategic change in colleges of further education is achieved through management leadership which reacts to changes in the external context through positive action in relation to the key variables. In order to be successful, colleges have to order their finances so that they meet the requirements of the new circumstances, to alter their organisational structure, to communicate the changes to their stakeholders, take some account of organisational culture, and to carry out environmental assessment.

The similarities between the four Colleges in their external context and in the variables in their internal context of regional and cultural factors was more marked than the differences. They all faced competition for students from school sixth forms and to varying extents from other providers, they all had organisational cultures which included professionalism. The evidence of this research shows that it was leadership and management which decided the different actions and policies revealed in the Cases. It was the senior management of the Colleges which decided on the approach to the variables included in the content and process of strategic change and it was these decisions which created different levels of success, which could be seen in the financial strength of the institution and in terms of its prospects for the future.

This analysis of the Case Studies revealed that in order to create effective strategic change colleges needed to react positively to changes in their external environment or face strategic drift. The positive reaction had to create fit between the operation of the college in its new environment and to develop a unique position for the organisation. This required internal and external assessment in order to create a learning organisation which could adapt successfully to fresh developments and new strategic change. The conceptual model provided a robust framework for the comparisons and contrasts revealed in this Chapter. The Pettigrew, McKee and Ferlie (1992) model can be seen as relatively static in relation to the contexts of organisations because they are evolving, however an advantage of the model is that it enables links to be considered between the processes of change and the contexts and contents of change. For example, links have been made between elements of the market including competition and environmental assessment, between financial decisions and funding, communication and consultation and organisational culture, management and leadership. The analysis in this Chapter is developed further in Chapter 11 where the results of the research are evaluated in relation to the conceptual model developed in Chapter 2, models applied to this research and the research process are evaluated and suggestions are made of areas for further research.

Chapter 11 Conclusion

11.1 The conceptual model

The conceptual model developed in Chapter 2 (Figure 2.3) described the key variables relating to the objective of the research and how these key variables were linked to one another through the Pettigrew, Ferlie and McKee (1992) model of strategic change. The conceptual model was based on the factors which influenced the research objective, effective strategic change in further education. These factors were the external context in terms of legislation, funding, and market elements such as competition, the internal context including regional differences, resources, leadership and organisational culture, and content and process, including finance, government and management, stakeholders, organisational structure, culture and communications, environmental assessment, planning and development.

The conceptual model provided the theoretical foundation for the research although a range of models were considered in Chapter 2 in order to illuminate different aspects of the research. In defining the research question, that is effective strategic change in further education, and developing the conceptual model, the consideration of approaches to research pointed towards the use of the case studies method summarised in Figure 3.1. The strength of the case study approach was that the cases were able to deal with a variety of evidence including documents, interviews, artifacts and observations and the methodology, as discussed in Chapters 3 and 5, allowed generalising to theoretical propositions and helped to illuminate a set of decisions, why they were taken, how they were implemented and with what result.

Chapter 1 of this thesis established the subject of the research and its objectives. It went on to describe the development of the external context of further education through the consequences of the Further and Higher Education Act 1992, the results of incorporation, the development of the funding mechanism introduced by the FEFC and of elements of the market in terms of competition, risk and a need for strategic management, and the regional differences between individual colleges. Chapter 2 established that these changes to colleges of further education were in a framework common to the public sector of accountability to major stakeholders and a service requirement and without the freedoms of the private sector or the profit motive. It went on to establish the importance of leadership in strategic change, the impact of organisational culture and the key elements in the content and process of strategic change. Chapter 2 considered existing theories and models of strategic change, particularly in the public sector in order to arrive at the conceptual model established at the end of the Chapter.

The methodology used in the research was discussed and described in Chapters 3 and 5, with the use and the application of case studies. The National Survey (described in Chapter 4) provided a broad picture of the changes in the colleges and helped to identify critical success factors in the strategic development of colleges which confirmed the key variables. The Case Studies (described in Chapters 6, 7, 8 and 9) provided information on the key variables involved in the internal context of colleges and on the content and process of strategic change. Comparisons were drawn between the Case Studies in Chapter 10 and they were analysed in terms of the conceptual model. The results of the research confirmed the view that in order to be successful colleges of further education

had to develop strategies to cope with the new external context and that particular strategies were likely to lead to success in dealing with future change.

11.2 The external and internal context

It became evident as the research progressed that a single stimulus, in this case legislation, could be followed by a variety of reactions and although there were some similarities in these reactions, there were important differences. When there was an unavoidable alteration in their environment, such as legislation, which determined methods of funding, governance and scope of activities, public sector organisations clearly had to find methods of coping. The organisations in the research had different internal contexts in terms of their historical development, their acquired assets, their regions and locations and in their leadership and management. Of these key variables leadership and management emerged from the analysis as a dominant influence. Thus, when faced with strategic change, managers were found to vary in their reaction to it. This can be illustrated by considering the senior management revealed in the Case Studies. It is unlikely, for example, that the principals and chief executives of the Colleges described in Case Studies D, L and P would have reacted to the inner context of the College described in Case Study A in the same way as the actual principal and chief executive of that College did. The senior management described in the other Case Studies had a perception that changes were required and they were prepared to make them within the situation they found themselves and to see the internal context of their Colleges as opportunities and challenges rather than limitations. It would seem very likely that the principal of College P, for example, would have dealt with the position of College A in a

very different way than was the case. These differences might have included environmental assessment, marketing, greater internal communications and course development. It can be concluded that the principals and chief executives of the other two colleges would also have dealt with the internal context described in Case Study A in their own ways.

The conclusion that can be drawn from these findings is that leadership and management does make a difference to effective strategic management in further education. Principals of colleges were for the first time given the title of 'chief executive' and it is clear from this research that they had to take executive action. Leadership and management were key variables in achieving effective strategic change and individual college circumstances required different responses and provided different challenges. There were differences in what could be described as inherited assets, such as property and resources, differences in levels of funding compared to the requirements of the new funding body and differences in competition and local differences, such as the economy and regional population characteristics.

Leadership was also important in terms of organisational culture. Attempts not to upset the organisational culture and efforts to preserve it, as in Case Study A, helped to confirm Newman's (1994) view that culture prefigures the way in which strategy was made in a particular organisation and that the process of strategy-making was intimately intertwined with cultural norms and values. The senior management described in Case Studies P and D also in their own ways showed a regard for the importance of existing culture by

making attempts to influence it. Where the organisation's leadership largely swept aside the existing culture, as in Case Study L, the idea of culture prefiguring the way strategy was made is called into question. This finding also raised questions on the view of Meek (1988) that culture was not an independent variable to be altered by the efforts of managers, it was something an organisation 'is' rather something an organisation 'had'. While this could be seen to modify Newman's theories, it helped to confirm Bryson's (1995) view that culture might be refined or, less frequently, be changed altogether for it to provide an effective bridge between the organisation and its environment.

Schein (1992) argued that the appropriate style of change was contingent on the magnitude of the change, the fit of the organisation to its environment, the time available, the support for change in the organisation and on the stage of growth of the organisation, while Pettigrew (1990) questioned the extent to which organisational cultures were manageable because they were so embedded in organisations and Whipp et al (1989) argued that culture could make or break the capacity to manage the change process. The results of the research reported in this thesis indicate that leadership was an important and even dominant factor in relation to the style of change and the attitude to existing organisational culture and that although it could be influenced by the magnitude of the change and the fit of the organisation to its new environment, it was the leadership of the organisation that decided on the strategic changes that occurred. The importance of the external context in Pettigrew, Ferlie and McKee's terms (1992) was highlighted by this research, while leadership and management was found to be the dominant factor in the internal context.

11.3 The content and process of change

In the short term, the Case Studies showed that providing organisations did enough to satisfy the major stakeholder, they could all survive. This finding confirms the view (Heymann 1987 and Nutt and Backoff 1992) that a distinguishing feature of the public sector organisation is its accountability to a major stakeholder and through this to the public. The Case Studies also revealed that survival was less certain in the longer term if an organisation had not taken action to develop the influences internal to the organisation, such as resources, structures and capabilities, because these become part of its internal context when further changes occurred.

Bryson (1995) argued that usually, it was vital for strategic issues to be dealt with expeditiously and effectively if an organisation was to survive and prosper. Faced with changes to their external context organisations had to respond to these changes either by doing what they had always done only better or by important shifts in organisational focus and action. Where neither of these courses of action were followed, as in Case Study A, problems were likely to arise. On the other hand, where there were important shifts in focus, as in Case Study P, there was every likelihood of the organisation being able to cope with future change. This helped to confirm the view (Bryson 1995) that it was important for the long term survival of public sector organisations to react to strategic change through effectively developing their resources, structures and capabilities, because in due course these would become part of the internal context of the organisation

The importance of stakeholders as a key variable was highlighted by this research (Stewart and Ranson 1988, Heymann 1987, Nutt and Backoff 1992, Moore 1995), although it was not originally identified as an individual key variable in the conceptual model where their strong influence was seen through finance, governance and management, and organisational structure. Nutt and Backoff (1992) argued that different strategies were needed for different organisational stakeholders in the public sector and they developed a stakeholder matrix based on the importance of the stakeholder and their position on the issue in question. In these terms, in the current study the high priority stakeholder was clearly the FEFC representing government (and public) policy. In all the Case Studies the organisations were found to be concerned with satisfying the requirements of the FEFC as their first priority, because most of their income depended on satisfying the FEFC. This was clearly seen in Case Study L where the College had based its strategy on satisfying the FEFC requirement to reduce its Average Level of Funding. In Case Study A this was not an issue for the College, however because most of its income was from the FEFC and it had not been able to find other sources of income, it had to make sure that it was providing a service which would be financed by the FEFC.

The employees of the organisations were divided between those who were antagonistic and those who were supporters of the changes. The majority of employees who were not senior managers were antagonistic to the changes taking place so that senior managers had to negotiate with them and develop arguments which would satisfy them. In Case Study L, for example, employees were treated as low-priority stakeholders whose views could be largely ignored in the interests of the development of the organisation. In the

other Case Studies employees could be seen as problematic stakeholders who were opposed to the changes, but important enough for the college leadership to refine strategies in order to satisfy them and, at least in Case Studies D and P, attempt to change their views. There were not strong professional bodies in further education compared to those that existed in the health service for example, and the research showed that employee unions were not particularly effective in promoting the interests of their members.

The research also showed that in terms of the governance of further education, the governing bodies provided a monitor on organisational policy and actions, and they offered advice and support to the senior management who were shown to make strategic decisions and to lead the formation of strategy. Although governing bodies could influence and in the final analysis had powers to control senior management, the research revealed that it was senior management that provided leadership. It can be seen from examples of further education that had run into difficulties (given in Chapter 1) that it was when the financial position of the college conflicted with the requirements of the funding body that governing bodies and senior management could be called to account. Although employers were stakeholders in colleges their main influence was through the governing bodies where they formed a majority, but most of the time this influence was used to offer advice to senior management and to monitor their actions. The Case Studies showed that the number of members of governing bodies varied considerably, reflecting the extent to which the senior management had taken on the importance of a new 'business-like' approach for their organisations. Where there was a small governing

body, as in Case Study P, this could be an effective and efficient board to oversee the management process, while where there was a large one, as in Case Study A, it appeared to be less effective.

Finance was a key variable in the content of strategic change which had an influence on all the others, in that the actions of the organisations in implementing strategic change were greatly influenced by funding imperatives. The findings of this research revealed the conflict in the Colleges between a financial obligation in providing an efficient and effective public service and in the use of resources paid for by public money which could conflict with a public service obligation in providing services to the public of a type and quality based on public need. There were tensions, which reflected the views of Ruffat (1983) and Lavery and Hume (1991), between greater cost-effectiveness on the one hand and better social outcomes on the other. These tensions could also be seen in the terms of culture and communications, in the conflicts revealed in the research between traditional professional values and the new business and market based values, thus supporting the arguments of Newman (1994) and McNulty and Whittington (1992) in relation to professionalism. The changes a result of incorporation required a shift in the 'mind-set' of managers in order to become more 'business-like', while those who were not managers felt a loyalty towards their students and towards professional standards. In Case Studies D and P, the organisations were seen to attempt to communicate the need for different approaches and to provide training for the changes that were required, while in Case Study L, the changes were made with little attempt at communication, and in Case Study A, all those who were not senior managers were shielded from change. This emerged as

important, particularly in the long run, in that there was evidence that the Colleges who had attempted to communicate and resolve different views were likely to be in a better position to cope with future change than those who had not dealt with these changes in this way.

The results also suggested that changes in organisational structure reflected cultural differences and differences in the approach of the Colleges to strategic change. Colleges had appointed senior managers in functional roles rather than in the traditional areas of the curriculum, layers of management had been removed (vice-principals and senior lecturers for example), while the number of administrators and functional managers had increased. Management of the curriculum and the more business-like approach to running the Colleges raised questions about their purpose and the importance of providing a public service and adding to public value (Moore 1995). Similar questions arose over the use of new terms, such as 'customer', which were seen by some as a too business and marketing orientated term for an organisation concerned with a public service. On the other hand Colleges had to achieve growth and quality targets in order to receive maximum funding, so that there was an incentive for them to provide a public service in a business-like way.

Cultural change was found to be encouraged through a range of methods including highlighting staff successes, building a visible customer service, improving educational facilities, staff development and training, and internal and environmental assessment, as in Case Study P. The attempt in this College was to create a learning organisation and

although it was clear that it had not permeated all areas of the organisation, it did mean that it was 'moving in the right direction'. Aspects of professionalism was still challenged by the strategic decisions being made by the senior management, but it had not been swept aside it had been encouraged to change. This approach seemed to provide the best chance of creating an organisation which could cope with future changes and supported proposition that in order to be successful colleges needed to develop strategies which would enable them not only to cope with the environment in which they operated but also further changes to that environment.

The importance of environmental assessment highlighted by this research supported research in the private sector reported in Pettigrew and Whipp (1991), and Pettigrew, Ferlie and McKee (1992) which demonstrated that the starting point for strategic focusing and change derived from a firm's skill in environmental assessment. In general terms the research carried out by Pettigrew and Whipp (1991) showed that it was insufficient for companies to regard the creation of knowledge and judgements of their external competitive work as simply a technical exercise. Rather the need was for organisations to become open learning systems which acquired, interpreted and processed information about their environment. Such processing was more likely to occur when various conditioning features were in place and in use, including skill in recognising and exploiting environmental disturbances and seeing assessment as a multi-function and multi-level activity and not the preserve of a single individual or a particular specialist function. For the conditioning factors to work, however, they needed to be stabilized and impelled by organisational features such planning and marketing. Pettigrew, Ferlie and

McKee (1992) in their study of the NHS identified a range of factors and behaviours which helped with energy mobilisation. These included the articulation of broad visions, the role of leadership in challenging old assumptions and behaviours, the importance of early action to signal new changes of direction, and positive reinforcement of early if limited successes in the change process. Their cases of the development of services in the NHS illustrate many of these points and in this research, the evidence also lends support to these views. In the research reported in this thesis, the evidence that emerged in Case Study P showed a recognition and exploitation of environmental disturbance, the importance of planning and marketing, early action to signal changes of direction and the positive reinforcement of early success.

This research supports the view that organisations need to acquire, interpret and process information about their environment, supported by the senior leadership which also supported the development of the structural and cultural aspects of the college to encourage environmental assessment and organisational learning. The leadership in Case Study P did see assessment as a multi-function and multi-level activity, although many others in the college saw it more as the specialist role of marketing. In Case Study P, as distinct from the others in the research, there was an attempt to incorporate marketing and planning into the work of the organisation. Where drastic change was seen as the major priority, as in Case Study L, and where the senior leaders considered this to be best carried out by a small central group, this environmental assessment and organisational learning was felt to be much less important. Broad visions were not encouraged, teams and networks were not formed and there was little reinforcement of early successes. The

cost driven, financial focus was so strong that marketing and planning for the future were not given prominence and environmental assessment was limited to broad impressions. In Case Study L the college could be seen to be moving into a dead-end situation in contrast to Case Study P where the college showed every sign of building for the future.

11.4 The public sector

Stewart and Ranson (1988), Dopson and Stewart (1990), Heymann (1987) and Nutt and Backoff (1992) all emphasised the importance of accountability in the public sector and this emerged as a major feature of the evidence reported in this research. This accountability was to a funding body whose task was to implement government and the government objective was to increase the number of students in further education and reduce the cost per student. In the research period the success of this policy could be seen by the increase from 3 million to over 4 million students (Figure 1.8) and by the reduced Average Level of Funding (ALF) (see commentary on Figure 10.2). In its turn this policy was designed to contribute towards the National Targets for Education and Training (page 23). Figure 1.7 emphasises on the one hand the accountability of the institutions in the further education sector, and on the other hand the flow of funds from the government through the funding agency to the institutions. The financial needs of the institutions was the major factor in insuring that the institutions met the required targets.

The further education sector described in Chapter 1 is in contrast to the direct connection between private sector organisations and their markets. The term ‘business-like’ in the context of the public sector, including colleges of further education, meant a recognition

of the people being served by an organisation in the public sector, and an organisation measuring itself against the satisfaction of these people whether they were called 'customers' clients, patients or students. This emphasised the importance of environmental assessment in the public sector even though the object was not profit, and questioned the ideas of Stewart and Ranson (1988) in relation to the difficulties of the applying private sector concepts in order to provide a better service to the public without undermining public sector values. The evidence in this research, particularly in relation to Case Study P, suggested that marketing in the sense of knowing the people being served by a public sector organisation was more important than they argued in order to meet public need and to add 'public value' (Moore, 1995). Leading change can be seen (Pettigrew, Ferlie and McKee 1992) as calling for the resolution of not so much as one single issue, but rather a pattern of interwoven problems, on managing a series of dualities and dilemmas, including simultaneously managing continuity and change. This research showed that in the public sector there was a particular problem for managers in satisfying both the need for accountability and the need to provide a public service. Where the dominant stakeholder demanded efficiency and economy, this might be achieved at the expense of satisfying public need. This research highlighted the need for particular skill in the leadership of public sector organisations in meeting both of these requirements.

The research provided only limited support for the views of Dopson and Stewart (1990) that public sector managers were less likely to be positive about managerial practices than their counterparts in the private sector because of the vagaries of public funding, the

demands of central government and low pay. This research project indicated that support for change depends on the approaches adopted by individual managers, in that managers saw strategic change either as an opportunity or as a burden to deal with in one way or another. The managers who saw strategic change as an opportunity (as in Case Studies D and P) attempted to use private sector concepts to provide a better service to the public without undermining public sector values. Thus public sector organisations could break out of their cultural framework, at least in the short term, although in the longer term they needed to develop a positive set of beliefs and values that incorporated the need for a public service orientation within a more 'business-like' framework.

11.5 Evaluation of the research

The research methodology used in this project provided a successful approach to meeting the aims summarised in the conceptual model. It highlighted the key variables in achieving the objective of the research and the links between these variables. It enabled conclusions to be achieved on the research proposition and it provided evidence to support or modify the models discussed in the literature review. It enabled the testing of the research hypothesis and attempts at theoretical generalisations. The researchers knowledge of and experience in the sector which was the subject of this research proved to be an advantage in defining the key variables, and understanding the norms and language of the sector. It also helped to facilitate the interviews in the Case Studies as well as providing an appreciation of management leadership as a key issue in a situation where the role of senior managers had changed significantly in a relatively short time. The Case Studies provided a number of responses to the changes in the external context

and enabled rich data to be discovered. The methodology was based on past research into strategic change in organisations in the public sector, as well as research into further education management and funding. The methods employed did enable conclusions to be reached about strategic change in further education. Carrying out this research was a considerable learning experience, particularly in terms of the rigour demanded, the building on existing research and in analysing and developing the results into a completed project.

Future research on the same lines as this project could test the conclusions and propositions reached here as a result of changing circumstances in the sector and by comparing the results with a wider range of case studies. It could also test the strength of the conceptual model. Other areas of research arising from this project include the relationship between managers and other employees, the importance of strategic leadership in the public sector and the results arising from the new funding systems in further education introduced in 2001. Both the conceptual model and the research methodology provide a basis for further research and the case study methodology proved to be a successful approach to achieving the research objectives. The researchers knowledge of the sector, given the role of the social scientist in terms of detachment (see pages 116-120 in Chapter 3), was an advantage in providing a stepping stone into a knowledge and understanding of the sector. Easterby-Smith, Thorpe and Lowe (1991) argued that the researcher needed knowledge of the immediate subject of study (p 17) and of key networks and contacts in the chosen research area. They also considered that *"past experience is likely to determine what the researcher is interested in, and also his*

or her ability to identify phenomena and questions as being significant" (p 49). The researchers knowledge and experience in the area did enable the identification of significant phenomena and questions while following through a closely monitored research process provided reliability. Researchers without this degree of knowledge of the subject would need to acquire sufficient knowledge and understanding of the sector to appreciate it in the same way. Completing this research did depend on knowledge and understanding of the subject of study, but did not depend on insider knowledge in the sense of researchers having to have years of senior management experience in the further education sector. The examples provided in Chapter 3, such as the University of London research into the impact of the FEFC funding methodology, provide strong evidence that it would be possible for someone without this level of senior management experience to replicate the research reported in this thesis.

In terms of the conceptual model and the Pettigrew, Ferlie and McKee (1992) model of strategic change, this research emphasised the importance of the external context and accountability for public sector organisations because they could not ignore government requirements, whether they were in the form of legislation or of 'steers' provided through a funding mechanism. The moves towards more direct links between public sector organisations and the people who received their services identified in Chapter 2, whether this was the direct charging for services, partnerships with the private sector or encouragements to be more 'business-like', has increased the need for environmental assessment and an understanding of the institution's market. In Moore's (1995) terms the senior managers have become 'explorers' commissioned by society to search for public

value. Whereas prior to incorporation (and certainly prior to the 1988 Education Reform Act), colleges of further education had to seek approval for innovations before they introduced them, after it colleges were able to take action and then justify it to the funding body and other stakeholders. The principals and chief executives of the colleges had to become entrepreneurial in their search for public value. The Case Studies highlight the difficulty some senior managers had with this concept, while others embraced it as a new found freedom to use their initiative. Leadership was a dominant factor in further education and although in the internal context regional differences, resources and assets influenced the content and process of change in relation to the actual changes made and how they were made, the dominant influence in this process was management leadership.

Postscript (2001)

In the two years since the publication of the White Paper “Learning to Succeed” in June 1999 there have been developments in terms of both the Further Education Sector and individual colleges including those that were the subject of the Case Studies in the Research Project. The Further Education Funding Council (FEFC) was disbanded in April 2001 and replaced by the Learning and Skills Council (LSC). In the Guardian Education section (October 11th 2001, p 38) Norman Lucas wrote that *“it is too early to draw conclusions about the LSC and its 47 local branches, but the new scheme does represent significant progress towards a rationalisation of post-16 arrangements. However, it is unclear how strategic and integrated the approach will be.”* As a result he suggests that the debate about the role of further education colleges should continue: *“vocational education and training has never been a top national priority and has always taken second place to the debates concerning schools and higher education.”*

The National Survey and the Case Studies in the Research Project revealed that College A had an approach to strategic change which could be described as a ‘head in the sand’ approach and that this College was the most vulnerable in an environment of change. There was a clear problem of strategic drift in the College strategy with every attempt made to retain the status quo that existed prior to incorporation. In September 1999 it was reported that the College had *“fallen foul of the funding formulas”* (Guardian Education 21st September, 1999 p 13), while the College Chair of Governors was quoted as saying *“the indicators, certainly for last year, are that our level of business has been substantially lower than the amount of funding allocated.”* The problem was identified by the

introduction of a new management information system and a change in the College auditors. The result was that in July 1999 the Principal of the College was suspended and after an initial report by the accountant, the Director of Finance was also suspended. The Chair of Governors said that the funding council's procedures were so complex that they could be 'fiendishly' difficult to observe. He added that whatever emerged from the inquiry into the problem, there would be severe retrenchment in spending and possibly heavy job losses among the full-time and part-time staff.

Another of the Case Studies, College L, was discussed in the Research Project in terms of having a strategy which could be described as possibly leading into 'a cul-de-sac'. It was felt to have followed a very clear approach to strategic change in the first six years of incorporation, which had succeeded in achieving the College objectives in the immediate post-incorporation period.. The question posed was whether the senior management team could adapt to further change. In 2001 the College was reported to have been transformed in the years since incorporation in time to *"see off the prospect of a competing sixth-form college being set up in the borough to raise standards"* and in time to receive the highest inspection grade for governance and management and the second highest in other areas (Times Educational Supplement May 4th 2001 p 38). The Principal was quoted as saying *"I suppose we have done it by appointing really good people. I could talk about it in terms of a 'vision', but really it isn't like that. It is down to a lot of hard work and making sensible decisions over a long period of time. There has been no dramatic turnaround."* He added that *"it certainly helps to be in control of our own funds*

and resources... and to have our own personnel management and not to be relying on town hall human resources people."

These were the two Cases which were revealed in the Research Project to be at the most risk in terms of their approaches to strategic change. They had not developed a clear core competence in relation to the post-incorporation environment, they had not faced up to competition or established a competitive advantage over rival institutions. However important differences were observed between them. Whereas in College A there was a clear indication of strategic drift with very little attempt by the senior management to alter the College to match the requirements of the new environment in which it was working, almost the opposite was true of College L. In College L the focus of senior management was on adapting to the new environment, at least in terms of finance, and the question that arose was whether this approach to strategic change would leave it so weakened that it would be unable to develop once it had achieved its financial objectives and whether the senior management team could follow an equally focused but different strategy in the face of further changes. The TES article suggests that the College has been able to develop and the senior managers have been able to adapt to further strategic change.

The other two Colleges in the Case Studies have both seen the retirement of their principals in 2001 and new principals appointed. There has been very little coverage of these Colleges in the educational press and it is too early to know the results of these changes.

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Appendix

The Appendix consists of a copy of the National Survey.

STRATEGIC CHANGE IN FURTHER EDUCATION

Statistical Information

Name of College:

Session	Session
1992-93	1996-97

Size of College by total of FTE students:

Number of full-time students:

Size of total budget:

Number of teaching staff employed (FTE):

Number of other staff employed (FTE):

This information will be treated as confidential and any report that arises from this information and the attached questionnaire will not identify individual colleges.

STRATEGIC CHANGE IN FURTHER EDUCATION

Please put a ring around the number that corresponds to your answer, or write your answer in the space provided.

SECTION 1

THE COLLEGE

1. What have been the main causes of change in the College in the last three or four years?

	Extremely important				Not important	
Incorporation	6	5	4	3	2	1
Competition	6	5	4	3	2	1
New technology	6	5	4	3	2	1
Funding	6	5	4	3	2	1
Curriculum development	6	5	4	3	2	1
Other (please specify)	6	5	4	3	2	1

2. What changes have been made in the College?

	To a great extent				Not at all	
Organisational structure	6	5	4	3	2	1
Overall levels of funding	6	5	4	3	2	1
Internal resource allocation	6	5	4	3	2	1
Staffing levels	6	5	4	3	2	1
Curriculum programmes and courses	6	5	4	3	2	1
Other (please specify)	6	5	4	3	2	1

3. How far are these changes the result of the main causes of change indicated in Question 1?

	To a great extent				Not at all	
Incorporation	6	5	4	3	2	1
Competition	6	5	4	3	2	1
New technology	6	5	4	3	2	1
Funding	6	5	4	3	2	1
Curriculum development	6	5	4	3	2	1
Other	6	5	4	3	2	1

4. Who has been responsible for deciding on the changes that have occurred?

	Extremely important				Not important	
Principal	6	5	4	3	2	1
Senior management	6	5	4	3	2	1
Chair of Governors	6	5	4	3	2	1
Governing Body	6	5	4	3	2	1
Other (please specify)	6	5	4	3	2	1

5. Has there been a process of consultation on changes since incorporation, with:

	Fully participated in decision-making				Told of decisions	
Teaching staff?	6	5	4	3	2	1
Non-teaching staff?	6	5	4	3	2	1
Governors?	6	5	4	3	2	1
Students?	6	5	4	3	2	1
Employers?	6	5	4	3	2	1
Others (please specify)?	6	5	4	3	2	1

SECTION 2

INCORPORATION

6. In terms of managing the College, has the move away from the local authority as a result of Local Management and Incorporation been:

	Very strongly agree				Very strongly disagree	
An advantage?	6	5	4	3	2	1

7. As compared with local authority control, has incorporation been an advantage or a disadvantage in terms of:

	Advantage	Disadvantage	No difference
Financial control?	a	d	n
Personnel management?	a	d	n
Building maintenance?	a	d	n
Marketing?	a	d	n
Course development?	a	d	n
Student services?	a	d	n
Other function (please specify)?	a	d	n

8. How well has the College coped since incorporation?

	Extremely well				Very badly	
In general	6	5	4	3	2	1
Financially	6	5	4	3	2	1
In personnel	6	5	4	3	2	1
On building maintenance	6	5	4	3	2	1
Marketing	6	5	4	3	2	1
Other functions (please specify)	6	5	4	3	2	1

9. Who in your opinion, are the stakeholders in the College (those interested in its development)?

	Extremely important				Not important	
The local TEC	6	5	4	3	2	1
Employers	6	5	4	3	2	1
FEFC	6	5	4	3	2	1
Local Authority	6	5	4	3	2	1
Local university	6	5	4	3	2	1
College Staff	6	5	4	3	2	1
Students	6	5	4	3	2	1
Other (please specify)	6	5	4	3	2	1

10. Is the co-operation of the local TEC with the College:

Extremely good?						Very poor?
6	5	4	3	2	1	

11. What effect does the level of co-operation with the local TEC have on strategic planning in the College?

Considerable					None at all
6	5	4	3	2	1

SECTION 3

COLLEGE FUNDING

12. In general has the College been financially better or worse off since incorporation?

Better off			Much the same		Worse off
6	5	4	3	2	1

13. What proportion of College income is from the FEFC?

<60%	a
60%-<70%	b
70%-<80%	c
80%-<90%	d
90%-<100%	e

14. What are the other sources of College income?

	Please estimate % of total College income	Increase or decrease since 1993
TEC		+ -
Employers		+ -
Franchising HE		+ -
Overseas contracts		+ -
Short courses		+ -
Other (please specify)		+ -

SECTION 4

ORGANISATIONAL STRUCTURE

15. If there have been changes to the organisational structure of the College, has this been in response to:

	Extremely important				Not important	
Incorporation?	6	5	4	3	2	1
Competition?	6	5	4	3	2	1
Financial pressures?	6	5	4	3	2	1
Curriculum changes?	6	5	4	3	2	1
Other reasons?	6	5	4	3	2	1

16. Have any changes that have occurred involved:

Abolishing departments?	Yes	No
Forming faculties?	Yes	No
Forming sections/divisions/schools?	Yes	No
Forming programme areas?	Yes	No
Forming teams	Yes	No
Increasing the number of senior managers?	Yes	No
Decreasing the number of senior managers?	Yes	No
Increasing the number of administrative staff?	Yes	No
Decreasing the number of administrative staff?	Yes	No
Abolishing the post(s) of Vice Principal?	Yes	No
Abolishing all senior lecturer posts?	Yes	No
Reducing the number of senior lecturer posts?	Yes	No
Other changes (please specify)?		

17. Have the number of layers of management been:

Increased	Unchanged	Decreased
a	b	c

18. Has any restructuring of the College that has taken place been based on:

Cost centres/business centres?	Yes	No
Market segments?	Yes	No
Curriculum/programme areas?	Yes	No
Other?	Yes	No

19. How would you characterise the organisation of the College?

	To a great extent				Not at all	
Centralised	6	5	4	3	2	1
Based on faculties/departments	6	5	4	3	2	1
Based on systems and rules	6	5	4	3	2	1
Based on tasks and expertise	6	5	4	3	2	1
Based on teams	6	5	4	3	2	1
Based on individuals	6	5	4	3	2	1
Other (please specify)	6	5	4	3	2	1

SECTION 5

STAFFING CHANGES

20. Does the College employ any of the following specialist managers as a result of Local Management and Incorporation:

		Year post first created
An accountant?	Yes	No
Personnel manager?	Yes	No
Marketing specialist?	Yes	No
Architect/surveyor?	Yes	No
Other specialist managers (please specify)?	Yes	No

21. How important in the College staff development plans is management training for:

	Extremely important					Not important
The Principal?	6	5	4	3	2	1
Vice-Principal(s)?	6	5	4	3	2	1
Other senior staff?	6	5	4	3	2	1
Middle managers?	6	5	4	3	2	1

22. Does the College employ more or fewer staff than three or four years ago?

	More	Fewer	The same	Please estimate the % change
Teaching staff: full time	+	-	o	
part-time	+	-	o	
Non-teaching staff:				
adninistrators	+	-	o	
technicians	+	-	o	
others	+	-	o	
Senior managers	+	-	o	

23. Have the changes in the College in the least three years involved redundancy?

Through natural wastage	Yes	No
Voluntary redundancy	Yes	No
Involuntary redundancy	Yes	No

SECTION 6

STRATEGY

24. Who is responsible for co-ordinating the detail of the College strategic plan?

Principal	Yes	No
Vice Principal	Yes	No
A senior member of staff	Yes	No
Chair of Governors	Yes	No
Others (please specify)		

25. Who decides on the overall College strategy?

Principal	Yes	No
Principal and Chair of Governors	Yes	No
Principal and Governing Body	Yes	No
Senior College managers	Yes	No
Middle managers	Yes	No
Others (please specify)		

26. Who decides on target student numbers (or units)?

	Very involved				Not involved	
Principal	6	5	4	3	2	1
Senior staff	6	5	4	3	2	1
Programme areas/Sections/Divisions	6	5	4	3	2	1
Departments/Faculties	6	5	4	3	2	1
Course Teams	6	5	4	3	2	1
Others (please specify)	6	5	4	3	2	1

27. How is the success of the College strategy measured?

			Have these targets been met in 1996?	
Meeting FTE student/unit targets	Yes	No	Yes	No
Meeting financial/budget targets	Yes	No	Yes	No
Meeting SSR targets	Yes	No	Yes	No
Meeting examination and assessment result targets	Yes	No	Yes	No
Retention/drop-out of students	Yes	No	Yes	No
Other indicators (please specify)	Yes	No	Yes	No

28. In setting targets, to what extent does the College take into account:

	Considerably				Not at all	
Competition?	6	5	4	3	2	1
The job market?	6	5	4	3	2	1
Views of course teams?	6	5	4	3	2	1
Views of programme managers?	6	5	4	3	2	1
Others (please specify)?	6	5	4	3	2	1

29. Does the College have a mission statement (or vision statement)?

Yes
No

30. Is this set out in:

The College prospectus?	Yes	No
Staff handbook?	Yes	No
Student handbook?	Yes	No
College Charter?	Yes	No
Elsewhere (please specify)?	Yes	No

31. Were the staff in the College consulted on the writing of the College mission statement?

	By participating in writing it				By being told what it is	
Teaching staff	6	5	4	3	2	1
Non-teaching staff	6	5	4	3	2	1

SECTION 7

GOVERNING BODY

32. What is the role of the Governing Body?

	Extremely important				Not important	
Defining College policy	6	5	4	3	2	1
Monitoring the implementation of policy	6	5	4	3	2	1
Appraising management performance	6	5	4	3	2	1
Providing advice and support	6	5	4	3	2	1
To be accountable to the FEFC	6	5	4	3	2	1
Other roles (please specify)	6	5	4	3	2	1

33. How important is the Governing Body in providing support in:

	Very important				Not important	
Finance and accountancy?	6	5	4	3	2	1
Personnel?	6	5	4	3	2	1
Buildings?	6	5	4	3	2	1
Student services?	6	5	4	3	2	1
Curriculum development?	6	5	4	3	2	1
Employer links?	6	5	4	3	2	1
Other areas (please specify)?	6	5	4	3	2	1

34. Is the Clerk to the Governing Body?

A full-time member of staff	Yes	No
A part-time member of staff	Yes	No
A specialist	Yes	No
The College Registrar or senior administrator	Yes	No
The Principal's secretary or personal assistant	Yes	No
Other (please specify)		

SECTION 8

COMPETITION

35. In the future, is competition for the College likely to be from:

	Strong				Weak	
Other FE colleges?	6	5	4	3	2	1
School sixth forms?	6	5	4	3	2	1
Private training organisations?	6	5	4	3	2	1
The local TEC?	6	5	4	3	2	1
Others (please specify)?	6	5	4	3	2	1

36. Since incorporation has the College moved into new markets?

Higher education	Yes	No
School links for GNVQ	Yes	No
Short course	Yes	No
Others (please specify)	Yes	No

37. In the last two years, has the College marketing budget:

	Please estimate % change
Increased?	
Decreased?	
Remained the same?	

SECTION 9

CURRICULUM DEVELOPMENT

38. Has the College developed new courses or programmes in the last four years?

NVQ	Yes	No
GNVQ	Yes	No
HND/HNC	Yes	No
Degree programmes	Yes	No
Modular programmes in some areas	Yes	No
Modular programmes in all areas	Yes	No
Short courses	Yes	No
Others (please specify)	Yes	No

39. Has the College closed any major areas of the curriculum in the last four years?

Yes
If yes, please specify

No

SECTION 10

INFORMATION TECHNOLOGY

40. How important has been the development of a computerised management information system in the strategic management of the College since incorporation?

Very important				Unimportant	
6	5	4	3	2	1

41. Has the College experienced difficulty in establishing an effective management information system to meet the needs of incorporation?

Great difficulty				Little difficulty	
6	5	4	3	2	1

42. If the College has experienced difficulty in establishing an effective management information system, what factors have caused this difficulty?

	Important				Unimportant	
Cost	6	5	4	3	2	1
Lack of effective systems	6	5	4	3	2	1
Staffing difficulties	6	5	4	3	2	1
Changes in funding mechanisms	6	5	4	3	2	1
Other factors (please specify)	6	5	4	3	2	1

43. Has the College developed teaching/learning centres/systems based on computers?

Widespread use across all programmes/courses	Yes	No
Some use on all programmes/courses	Yes	No
Some use on some programmes/courses	Yes	No
Intensive use on some programmes/courses	Yes	No
Little use on any programmes/courses	Yes	No
Based on a computerised learning centre	Yes	No